EXHIBIT LIST

Exhibit A	AMSG Form 8-K (June 4, 2002)
Exhibit B	AMSG Proxy Statement (April 26, 2002)
Exhibit C	Cobalt Proxy Statement (April 25, 2002)
Exhibit D	Cobalt News Release (March 20, 2002)
Exhibit E	Stock Purchase Agreement (March 19, 2002)
Exhibit F	Registration Rights Agreement (September 1, 1998)
Exhibit G	AMSG Articles
Exhibit H	AMSG Bylaws
Exhibit I	AMS Articles
Exhibit J	AMS Bylaws
Exhibit K	Cobalt Articles
Exhibit L	Cobalt Bylaws
Exhibit M	BCBS Articles
Exhibit N	BCBS Bylaws

A

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): June 4, 2002

AMERICAN MEDICAL SECURITY GROUP, INC.

(Exact name of Registrant as specified in its charter)

Wisconsin	**1-13154**	**39-1431799**
(State of Incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

3100 AMS Boulevard, Green Bay, Wisconsin	**54313**
(Address of principal executive offices)	(Zip Code)

(920) 661-1111
(Registrant's telephone number, including area code)

Item 5. Other Events and Regulation FD Disclosure.

Completion of Secondary Offering by Blue Cross & Blue Shield United of Wisconsin and Related Matters

As previously announced, on June 4, 2002, Blue Cross & Blue Shield United of Wisconsin ("BCBSUW"), a wholly owned subsidiary of Cobalt Corporation ("Cobalt"), completed the sale of 3,001,500 shares of American Medical Security Group, Inc. (the "Company") common stock, no par value ("Common Stock"), in an underwritten secondary offering. The public offering price was $18.00 per share. The proceeds to BCBSUW, net of the underwriting discount of $1.06 per share, were $50,845,410. The secondary offering was effected pursuant to an Underwriting Agreement, dated May 29, 2002 (the "Underwriting Agreement"), among the Company, BCBSUW and the Underwriters named therein, for whom CIBC World Markets Corp., Robert W. Baird & Co. Incorporated and Stifel, Nicolaus & Company, Incorporated acted as Representatives.

The secondary offering was made as agreed in the Stock Purchase Agreement, dated as of March 19, 2002, among BCBSUW, Cobalt and the Company (the "Stock Purchase Agreement"), under which the Company repurchased 1,400,000 shares of its Common Stock from BCBSUW at $13.00 per share on March 22, 2002, and the Registration Rights Agreement between the Company and BCBSUW dated as of September 1, 1998 (the "Registration Rights Agreement"). As contemplated by the Stock Purchase Agreement, the underwriting discount was borne solely by BCBSUW; fees and expenses for the secondary offering up to an aggregate of $650,000 will be paid by the Company, and any expenses in excess of that amount will be borne equally by the Company and BCBSUW.

Prior to the secondary offering, BCBSUW owned 4,909,525 shares of Common Stock, or approximately 39.0% of the then outstanding shares of Common Stock. After the offering, its ownership was reduced to 1,908,025 shares, or approximately 15.1% of the 12,603,916 shares of Common Stock outstanding as of June 4, 2002. In accordance with the terms of the Stock Purchase Agreement, Thomas R. Hefty, Chairman of the Board and Chief Executive Officer of Cobalt and Chairman of the Board and President of BCBSUW, who became a director of the Company on March 22, 2002 as one of Cobalt/BCBSUW's two nominees designated pursuant to the Stock Purchase Agreement, resigned as a director effective June 4, 2002, upon completion of the secondary offering. The Stock Purchase Agreement required his resignation effective upon the date that Cobalt/BCBSUW owns less than 20% of the then issued and outstanding shares of Common Stock. Under the Stock Purchase Agreement, Cobalt is entitled to designate one nominee to the Company's Board for so long as Cobalt/BCBSUW holds at least 10% of the issued and outstanding shares of Common Stock. Kenneth L. Evason, Cobalt/BCBSUW's other nominee who became a director of the Company pursuant to the Stock Purchase Agreement on March 22, 2002, continues to be a member of the Company's Board of Directors. Mr. Evason (or his successor) is obligated to resign effective immediately upon the date that Cobalt/BCBSUW owns less than 10% of the then issued and outstanding shares of Common Stock.

The Company is required by the Stock Purchase Agreement to amend its shareholder rights agreement (the "Rights Agreement") upon consummation of the secondary offering if Cobalt/BCBSUW owns more than 12% of the then issued and outstanding shares of Common Stock. Such amendment is required to provide that an "Acquiring Person" under the Rights Agreement (which is the triggering provision of the "flip-in" provisions of the agreement) means any person beneficially owning the lesser of (1) 20% of the outstanding shares of Common Stock, or (2) the percentage (rounded up to the nearest whole number) of issued and outstanding shares of Common Stock then held by Cobalt/BCBSUW. If, following consummation of the secondary offering, Cobalt/BCBSUW's percentage ownership of Common Stock decreases further, the Company has the right to amend the Rights Agreement again to lower the definition of "Acquiring Person" to the percentage of issued and outstanding shares of Common Stock then held by Cobalt/BCBSUW.

As previously mentioned, upon completion of the secondary offering, BCBSUW's ownership was reduced to 15.1%. Thus, in accordance with the provisions of the Stock Purchase Agreement, the Company executed an Amendment to Rights Agreement, dated as of June 4, 2002, with the Rights Agent to provide that an "Acquiring Person" under the Rights Agreement means any person who or which, together with all of its affiliates and associates, shall become the beneficial owner of such number of shares of Common Stock as is equal to 16% of the shares of Common Stock of the Company then outstanding.

The Stock Purchase Agreement also contains certain standstill provisions and voting agreements that continue in effect for so long as Cobalt/BCBSUW has any nominee on the Company's Board of Directors, subject to the right of Cobalt/BCBSUW to terminate such voting agreements and standstill provisions as provided in the Stock Purchase Agreement.

The secondary offering constitutes an exercise of the first of the two demand registration rights granted to BCBSUW pursuant to the Registration Rights Agreement.

The foregoing description of the Underwriting Agreement, the Stock Purchase Agreement, the Registration Rights Agreement and the Amendment to Rights Agreement is qualified in its entirety by reference to the full text of such agreements, copies of which are filed or incorporated by reference as exhibits to this report and incorporated herein by this reference. Additional information concerning these agreements, the secondary offering and related matters is contained in the Company's Proxy Statement, dated April 26, 2002, for its Annual Meeting of Shareholders on June 18, 2002, and in Post-Effective Amendment No. 1 to the Company's Registration Statement on Form S-3 (No. 333-86660) filed with the Securities and Exchange Commission on May 24, 2002, and the related Prospectus, dated May 29, 2002, filed with the Commission on May 30, 2002.

Item 7. Financial Statements and Exhibits

(c) *Exhibits*

See the Exhibit Index following the Signature page of this report, which is incorporated herein by reference.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AMERICAN MEDICAL SECURITY GROUP, INC.

Dated: June 19, 2002

/s/ Timothy J. Moore
Senior Vice President of Corporate Affairs,
Secretary & General Counsel

AMERICAN MEDICAL SECURITY GROUP, INC.
(the "Registrant")
(Commission File No. 1-13154)

EXHIBIT INDEX
TO
FORM 8-K CURRENT REPORT
Date of Report: June 4, 2002

Exhibit Number	Description	Incorporated Herein by Reference to	Filed Herewith
1	Underwriting Agreement (See Exhibit 10.4 below)		
4.4(a)	Rights Agreement, dated as of August 9, 2001, between the Registrant and Firstar Bank, N.A., as Rights Agent (the "Rights Agreement"), including the form of Rights Certificate attached as Exhibit B thereto	Exhibit 1 to the Registrant's Registration Statement on Form 8-A filed August 14, 2001, and Exhibit 4 to the Registrant's Current Report on Form 8-K dated August 9, 2001, and filed on August 14, 2001	
4.4(b)	Amendment dated as of February 1, 2002 to the Rights Agreement	Exhibit 4.1 to the Registrant's Form 8-K dated February 1, 2002 (the "2/1/02 8-K")	
4.4(c)	Appointment and Assumption Agreement dated December 17, 2001, between the Registrant and Firstar Bank, N.A., appointing LaSalle Bank, N.A. as Rights Agent for the Rights Agreement	Exhibit 4.2 to the 2/1/02 8-K	
4.4(d)	Amendment to Rights Agreement dated as of June 4, 2002		X
10.1	Registration Rights Agreement between the Registrant and Blue Cross & Blue Shield United of Wisconsin dated as of September 1, 1998	Exhibit 10.19 to the Registrant's Form 10-K for the year ended December 31, 1998	
10.2	Agreement dated February 1, 2002, among the Registrant, Cobalt Corporation and Blue Cross & Blue Shield United of Wisconsin concerning the Rights Agreement	Exhibit 10.1 to the 2/1/02 8-K	
10.3	Stock Purchase Agreement, dated as of March 19, 2002, among Blue Cross & Blue Shield United of Wisconsin, Cobalt Corporation and the Registrant	Exhibit 10 to the Registrant's Form 8-K dated March 19, 2002	

Exhibit Number	Description	Incorporated Herein by Reference to	Filed Herewith
10.4	Underwriting Agreement, dated May 29, 2002, among the Registrant, Blue Cross & Blue Shield United of Wisconsin and the Underwriters named on Schedule I thereto		X

B

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant ý
Filed by a Party other than the Registrant o
Check the appropriate box:

o	Preliminary Proxy Statement
o	Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
ý	Definitive Proxy Statement
o	Definitive Additional Materials
o	Soliciting Material Pursuant to §240.14a-12

AMERICAN MEDICAL SECURITY GROUP, INC.
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

ý No fee required.
o Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

o Fee paid previously with preliminary materials.
o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee w. paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

American

April 26, 2002

To All Shareholders:

You are cordially invited to attend the Company's 2002 Annual Meeting of Shareholders on Tuesday, June 18, 2002, in Green Bay, Wisconsin.

The Annual Meeting will begin promptly at 11:00 a.m. local time at the Radisson Inn located at 2040 Airport Drive in Green Bay, Wisconsin.

The official Notice of Annual Meeting, Proxy Statement and appointment of proxy form are included with this letter. The matters listed in the Notice of Annual Meeting are described in detail in the Proxy Statement.

The vote of every shareholder is important to us. Please note that returning your completed proxy will not prevent you from voting in person at the Annual Meeting if you wish to do so. Your cooperation in promptly signing, dating and returning your proxy will be greatly appreciated.

Sincerely,
Samuel V. Miller
Chairman of the Board, President
and Chief Executive Officer

3100 AMS Boulevard Green Bay, Wisconsin 54313 920-661-1111

American

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To the Holders of Common Stock
of American Medical Security Group, Inc.:

The Annual Meeting of the Shareholders (the "Meeting") of American Medical Security Group, Inc. (the "Company") will be held at the Radisson Inn located at 2040 Airport Drive, Green Bay, Wisconsin, on Tuesday, June 18, 2002, at 11:00 a.m. local time, for the following purposes:

1. To elect four directors of the Company for terms expiring at the 2005 Annual Meeting of Shareholders; and

2. To transact any other business as may properly come before the Meeting or any adjournment or postponement thereof.

Only shareholders of record at the close of business on April 15, 2002, the record date for the Meeting, are entitled to receive notice of an to vote at the Meeting or any adjournment or postponement thereof.

A copy of the Proxy Statement furnished in connection with the solicitation of proxies by the Company's Board of Directors for use at the Meeting accompanies this Notice.

Shareholders who cannot attend in person are requested to complete and return the enclosed proxy in the envelope provided. You may revoke your proxy at any time prior to the voting thereof by advising the Secretary of the Company in writing (by subsequent proxy or otherwise) of such revocation.

Your vote is important.
Whether or not you plan to attend the meeting, please mark, sign and date the enclosed proxy and return it promptly in the envelope provided.

By Order of the Board of Directors,
Timothy J. Moore
Secretary

Green Bay, Wisconsin
April 26, 2002

American
Medical Security Group

3100 AMS Boulevard
Green Bay, Wisconsin 54313

PROXY STATEMENT
FOR
ANNUAL MEETING OF SHAREHOLDERS
To Be Held on June 18, 2002

SOLICITATION AND VOTING

General

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of American Medical Security Group, Inc. (the "Company") for use at the Annual Meeting of Shareholders (the "Meeting") to be held at the Radisson Inn located at 2040 Airport Drive, Green Bay, Wisconsin, on Tuesday, June 18, 2002, at 11:00 a.m. local time, and at any adjournment or postponement thereof. At the Meeting, shareholders of the Company will consider and vote upon (1) the election of four directors of the Company for terms expiring at the 2005 Annual Meeting of Shareholders and (2) such other business as may be properly brought before the Meeting.

The Annual Report to Shareholders for the year ended December 31, 2001, the Notice of the Meeting, this Proxy Statement and the accompanying appointment of proxy form were first mailed to shareholders on or about April 26, 2002.

Outstanding Voting Common Stock

Only holders of record of shares of common stock, no par value per share ("Common Stock"), of the Company at the close of business on April 15, 2002, the record date for the Meeting, are entitled to receive notice of and to vote at the Meeting. Shareholders will be entitled to one vote for each share of Common Stock held. As of April 15, 2002, there were outstanding 12,590,166 shares of Common Stock.

Quorum and Voting

When you sign and return the enclosed appointment of proxy form, shares of the Common Stock represented thereby will be voted **FOR** the nominees for directors named in this Proxy Statement, unless you specify otherwise on the proxy form. In the event that any nominee for director is unable to serve, the proxy holders may vote for a substitute designated by the Board of Directors of the Company. Returning your completed proxy form will not prevent you from voting in person at the Meeting should you be present and wish to do so.

A majority of the votes entitled to be cast by the shares entitled to vote, represented in person or by proxy, will constitute a quorum at the Meeting. Any abstentions, shares for which authority is withheld to vote for director nominees, and broker non-votes (i.e., proxies from brokers or nominees indicating that such persons have not received instructions from the beneficial owners or other persons entitled to vote shares as to a matter with respect to which the brokers or nominees do not have discretionary power to vote) will be considered present for purposes of establishing a quorum.

Directors are elected by a plurality of the votes cast by the shares entitled to vote in the election at a shareholders' meeting at which a quorum is present. "Plurality" means that the individuals who receive the largest number of votes are elected as directors up to the maximum number of directors to be chosen in the election. Therefore, any shares not voted, whether by withheld authority, broker non-vote or otherwise, have no effect in the election of directors except to the extent that the failure to vote for an individual results in another individual receiving a larger number of votes. The Inspectors of Election appointed under the authority of the Board of Directors will count the votes and ballots at the Meeting.

Revocation

You may revoke your proxy at any time before it is voted. To revoke your proxy, send a written notice of revocation or another signed proxy with a later date to the Secretary of the Company, Timothy J. Moore at the Company's principal executive offices at 3100 AMS Boulevard, Green Bay, Wisconsin 54313 by 11:00 a.m., local time, on June 18, 2002. Attendance at the meeting, in and of itself, will not revoke your proxy.

Solicitation

The expense of preparing, printing, and mailing this Proxy Statement and the proxies solicited hereby will be borne by the Company. Officers and other employees of the Company may solicit proxies by personal interview, telephone and facsimile, in addition to the use of the mails, but will receive no additional compensation for such activities. The Company also has made arrangements with brokerage firms, banks, nominees and other fiduciaries to forward proxy solicitation materials for shares of the Common Stock held of record by them to the beneficial owners of such shares. The Company will reimburse them for reasonable out-of-pocket expenses.

Agreement with Cobalt Corporation

On March 19, 2002, the Company entered into a Stock Purchase Agreement (the "Stock Purchase Agreement") with Cobalt Corporation ("Cobalt") and Blue Cross & Blue Shield United of Wisconsin, a wholly owned subsidiary of Cobalt, ("BCBSUW" and together with Cobalt, "Cobalt/BCBSUW") whereby the Company agreed to repurchase 1,400,000 shares of Common Stock from BCBSUW at a price of $13.00 per share in cash, or an aggregate of $18,200,000 (the "Share Repurchase"). The Company completed the Share Repurchase on March 22, 2002, and BCBSUW withdrew its previously delivered notice of intention to nominate a slate of directors for election at the Meeting.

On March 19, 2002, in accordance with the terms of the Stock Purchase Agreement, the Company's Board of Directors increased the size of the Board to 14 directors and appointed two new directors nominated by Cobalt/BCBSUW, Thomas R. Hefty and Kenneth L. Evason, effective upon the closing of the Share Repurchase (which occurred on March 22, 2002). Pursuant to the Stock Purchase Agreement, Cobalt/BCBSUW will be entitled to designate two director nominees to the Board for so long as it holds at least 20% of the issued and outstanding shares of Common Stock and will be entitled to designate only one director nominee to the Board for so long as it holds at least 10% but less than 20% of the issued and outstanding shares of Common Stock. Mr. Hefty (or his successor) will resign effective immediately upon the date that Cobalt/BCBSUW owns less than 20% of the then issued and outstanding shares of Common Stock and Mr. Evason (or his successor) will resign effective immediately upon the date that BCBSUW/Cobalt owns less than 10% of the then issued and outstanding share of Common Stock. For so long as Cobalt/BCBSUW has any nominees on the Board, BCBSUW agreed to vote its shares for the slate of directors nominated by the Board of Directors. Pursuant to the Stock Purchase Agreement, Cobalt/BCBSUW has also agreed to certain "standstill" provisions. For a more complete description of the Stock Purchase Agreement, see "CERTAIN TRANSACTIONS—Stock Purchase Agreement" below.

ELECTION OF DIRECTORS

Four directors are to be elected at the Meeting to serve three year terms expiring at the 2005 Annual Meeting of Shareholders and until their respective successors are duly elected and qualified. The names of the persons nominated by the Board of Directors and the continuing Board members are set forth below, along with additional information regarding such persons. Each nominee is presently serving as a director of the Company. Information below is provided as of March 31, 2002.

The election shall be determined by a plurality of the votes cast. Unless otherwise specified, the shares of Common Stock represented by the proxies solicited hereby will be voted in favor of the election of the nominees described below. The four nominees have indicated that they are able and willing to serve as directors. However, if any of the nominees should be unable to serve, an eventuality which management does not contemplate, it is intended that the proxies will vote for the election of such other person or persons as the Board of Directors of the Company may recommend.

The Board of Directors unanimously recommends a vote "FOR" each of the nominees for directors listed below.

NOMINEES FOR ELECTION AT THIS MEETING WITH TERMS EXPIRING IN 2005

	Director Since	Principal Occupation during Past Five Years
Roger H. Ballou Age: 50	1998	Mr. Ballou is President and Chief Executive Officer of CDI Corporation ("CDI"), a staffing and project management company. He is a former Chairman and Chief Executive Officer of Global Vacation Group where he served from March 1998 to September 2000. Immediately prior to that time, Mr. Ballou served as a senior advisor to Thayer Capital Partners a venture capital firm. From 1995 to 1997, Mr. Ballou served as Vice Chairman and Chief Marketing Officer and then as President and Chief Operating Officer of Alamo Rent-a-Car. From 1989 to 1995, Mr. Ballou was President of the Travel Services Group of American Express Company. Mr. Ballou is a Director of CDI and Alliance Data Systems Corp., a transaction, credit and database marketing services firm.
W. Francis Brennan Age: 65	1998	Mr. Brennan is a retired Executive Vice President of UNUM Corporation, a life and health insurance company, where he served on the boards of UNUM's insurance affiliates in the United States, Canada, the United Kingdom and Japan. He joined UNUM in 1984 and retired in 1995. Prior to joining UNUM, Mr. Brennan was a Vice President with Connecticut General Life Insurance Company.

Edward L. Meyer, Jr. Age: 64	2000	Mr. Meyer is Chairman of the Board of Anamax Corporation, a food by-products recycling company, and its affiliated companies. He was named Chairman of the Board in 1997, after serving as President and Secretary earlier in his 40-year career with Anamax Corporation. Mr. Meyer is a director of Marshall & Ilsley Corporation, a bank holding company.
J. Gus Swoboda Age: 66	1998	Mr. Swoboda is a retired Senior Vice President of Wisconsin Public Service Corporation, an electric and gas utility, where he also held various other senior management positions. He joined Wisconsin Public Service in 1959 and retired in 1997. Mr. Swoboda was the Chairman of the Board of First Northern Capital Corp. from 1995 until its acquisition by Bank Mutua Corporation in November 2000. He is a director of Bank Mutual Corporation, and Chairman of the Board of its subsidiary, First Northern Saving Bank.

CONTINUING DIRECTORS

DIRECTORS WHOSE PRESENT TERMS CONTINUE UNTIL 2004

	Director Since	Principal Occupation during Past Five Years
Mark A. Brodhagen, DDS Age: 53	2000	Dr. Brodhagen, a practicing dentist, is the owner and President of Mark A. Brodhagen DDS, SC (d/b/a Brodhagen Dental Care) in Green Bay, Wisconsin, which he founded in 1974. He is a member of the Wisconsin and American Dental Associations. He has also served as a dental consultant to a number of managed health care companies.
Kenneth L. Evason Age: 52	2002	Mr. Evason has been a Director, President and Chief Executive Officer of Jacobus Wealth Management, Inc., an investment management company, since June 2001. From 1987 to 2000, he was President and Chief Executive Officer of Clarica U.S. Inc. (formerly Mutual Group, U.S.), a financial services organization.
Eugene A. Menden Age: 71	1991	Mr. Menden is a retired Vice President and director of Marquette Medical Systems, Inc. (formerly known as Marquette Electronics, Inc.), a manufacturer of medical electronic products, where he also held various other senior management positions in his over 20-year career with the company. He retired in 1992.
Samuel V. Miller Age: 56	1998	Mr. Miller has been Chairman of the Board, President and Chief Executive Officer of the Company since September 1998. He was an Executive Vice President of the Company from 1995 to 1998. From 1994 to 1995, Mr. Miller was a member of the executive staff planning group with the Travelers Group, serving as Chairman and Group Chief Executive of National Benefit Insurance Company and Primerica Financial Services Ltd. Of Canada. Prior to 1994, Mr. Miller spent 10 years as President and Chief Executive Officer of American Express Life Assurance Company.

Michael T. Riordan Age: 51	1998	Mr. Riordan was the Chairman, President and Chief Executive Officer of Paragon Trade Brands, Inc., a disposable diaper manufacturer, from May 2000 to February 2002. He was President and Chief Operating Officer of Fort James Corporation, a consumer products company, from 1997 to 1998 and held various positions including Chairman, President and Chief Executive Officer of Fort Howard Corporation from 1992 to 1997. He is also a director of The Dial Corporation and Wallace Computer Services, Inc.

DIRECTORS WHOSE PRESENT TERMS CONTINUE UNTIL 2003

Thomas R. Hefty Age: 54	2002	Mr. Hefty has been Chairman of the Board, President and Chief Executive Officer of Cobalt Corporation since 1998, and has been Chairman of the Board since 1988 and President since 1986 of BCBSUW. Prior to the spin-off in 1998, Mr. Hefty was President of United Wisconsin Services, Inc. (now known as the Company) from 1986 through 1998 and Chairman of the Board and Chief Executive Officer of United Wisconsin Services, Inc. from 1991 through 1998. He was Deputy Insurance Commissioner for the Office of the Commissioner of Insurance for the State of Wisconsin from 1979 to 1982. Mr. Hefty is a Director of BCBSUW, Cobalt and Artisan Funds, Inc., an investment company.
James C. Hickman Age: 74	1991	Mr. Hickman has been an Emeritus Professor and Emeritus Dean of the School of Business at the University of Wisconsin Madison ("UW School of Business") since July 1993. He was a Professor at the UW School of Business from 1972 to 1993, serving as Dean from 1985 to 1990.
William R. Johnson Age: 75	1993	Mr. Johnson has been Chairman of the Board of Johansen Capital Associates, Inc., a financial and investment consulting firm, since 1986. Before establishing Johansen Capital, he was founder, Chairman, President and Chief Executive Officer of National Investment Services of America, Inc.
H.T. Richard Schreyer Age: 61	2000	Mr. Schreyer was managing partner and audit partner in Ernst & Young LLP's Milwaukee office from 1985 until his retirement from the accounting firm in 1998. He served in various other management positions during his 35-year career with Ernst & Young LLP.
Frank L. Skillern Age: 65	1998	Mr. Skillern was Chief Executive Officer of American Express Centurion Bank, a consumer bank located in Salt Lake City, Utah, from 1996 until his retirement in 1999. He was Chairman of the Board of Directors of American Express Centurion Bank from his retirement to December 2000, having served as a director since 1991. From 1994 to 1996 he was President, Consumer Card Group, USA, American Express Travel Related Services Company ("TRS"), having served as an Executive Vice President of TRS for the prior two years.

Meetings of the Board of Directors and C· ·ittees of the Board of Directors

In fiscal 2001, the Board of Directors held six meetings. During 2001, each director attended at least 93% of the meetings of the Board and committees of the Board of which the director was a member. The major standing committees of the Board of Directors are the Audit, Compensation, Executive and Finance Committees.

The Audit Committee performs the functions set forth in the Audit Committee Report contained in this proxy statement and the Audit Committee Charter attached hereto as Appendix A. The Audit Committee is composed entirely of "independent" directors as that term is defined by the New York Stock Exchange. The members of the Audit Committee are Messrs. Menden (Chairman), Brennan, Hickman, Schreyer and Swoboda. The Audit Committee held four meetings during 2001.

The Compensation Committee evaluates the performance of the Company's executive officers; determines the compensation of the executive officers; acts as the nominating committee for directors; makes recommendations to the Board of Directors regarding the types, methods and levels of director compensation; administers the Company's equity-based compensation plans; administers the other compensatio plans for executive officers and directors; and discharges certain other responsibilities of the Board of Directors when so instructed by the Board. The Compensation Committee will consider a nominee for election to the Board of Directors recommended by a shareholder if the shareholder submits the nomination in compliance with the requirements of the Company's Bylaws relating to nominations by shareholders. The Compensation Committee is composed entirely of outside directors. The members of the Compensation Committee are Messrs. Ballou (Chairman), Riordan, Brennan and Skillern. The Compensation Committee held four meetings during 2001.

The Finance Committee approves investment policies and plans; monitors the performance of the Company's investment portfolio; consults with management regarding the Company's capital structure and material transactions involving real estate, accounts receivable and other assets; monitors the amounts and types of insurance carried by the Company; monitors the Company's relationship with its lenders; and discharges certain other responsibilities of the Board of Directors when so instructed by the Board. The members of the Finance Committee ar Messrs. Johnson (Chairman), Brodhagen, Menden, Meyer, Miller and Skillern. The Finance Committee held three meetings during 2001.

The Executive Committee discharges certain responsibilities of the Board of Directors when so instructed by the Board. When the Board Directors is not in session, the Executive Committee may exercise all of the powers and authority of the full Board in the management of the business and affairs of the Company to the extent allowed by the Wisconsin Business Corporation Law. The members of the Executive Committee met in executive session seven times during 2001. The members of the Executive Committee are Messrs. Miller (Chairman), Ballou, Hickman and Riordan.

Compensation of Directors

Directors who are officers or employees of the Company, Cobalt, BCBSUW or their affiliates do not receive any compensation for servic as members of the Board of Directors or committees of the Board. During 2001, directors who were not officers or employees of the Compan Cobalt, BCBSUW or their affiliates received a $20,000 annual fee, $1,200 per meeting for attendance at Board meetings and $1,000 per meeting for attendance at committee meetings. In addition, each committee chairman received a $3,600 annual fee and other committee members received a $1,800 annual fee. The Company also reimburses directors for their travel expenses in connection with their attendance a Board and committee meetings. The payment of a director's annual fees and meeting fees may be deferred by any director at such director's election pursuant to the Company's Directors Deferred Compensation Plan until the later of the date of termination of such director's service a a non-employee director or the date specified by such director in his deferred election form.

Pursuant to the terms of the Company's 1995 Director Stock Option Plan, new directors that are not employees of the Company, Cobalt, BCBSUW or their affiliates receive stock option grants upon their election to the Board to purchase 5,000 shares of Common Stock. Directors of the Company that are not employees of the Company, Cobalt, BCBSUW or their affiliates also participate in the Company's Equity Incentive Plan. During 2001, stock options to purchase 8,000 shares of Common Stock were granted to each non-employee director at an exercise price of $10.20 per share, the fair market value of the Common Stock on the date of grant. The options will become exercisable for one-third of the shares of Common Stock subject to the option on each of the first three anniversaries of the date of grant. Exercisability of unvested options is accelerated in the event of a director's death, disability or retirement, or upon a "change in control" as defined in the Equity Incentive Plan or a "triggering event" as defined in the 1995 Director Stock Option Plan. Determination of the number of shares granted under the Equity Incentive Plan in 2001 to non-employee directors was based on a grant date present value of competitive annual stock option grant amounts.

During 2001 , the Company paid William R. Johnson, a director of the Company, $17,630 for consulting services related to investor relations activities provided by Mr. Johnson to the Company. The consulting arrangement was conducted on an arm's-length basis and was completed during 2001.

Nominations for Directors by Shareholders

Article II, Section 2.01(B) of the Company's Bylaws provides that if a shareholder desires to make a nomination for the election of directors at an annual meeting, he or she must give timely written notice of the nomination to the Secretary of the Company. Notice is timely if received by the Secretary at the Company's principal office in the year of the applicable annual meeting not less than 60 days nor more than 90 days prior to the date on which the Company first mailed its proxy materials for the prior year's annual meeting of shareholders. The annual meeting of shareholders is generally held in mid to late May. The notice must set forth the shareholder's name and address as they appear on the Company's books; the class and number of shares of Common Stock beneficially owned by such shareholder; a representation that such shareholder is a holder of record of shares entitled to vote at the meeting and intends to appear at the meeting, in person or by proxy, to make the nomination; the name and residential address of the nominee; a description of all arrangements or understandings between the shareholder and the nominee (and any other person or persons) pursuant to which the nomination is to be made; the written consent of the nominee to serve if elected; and certain other information. The notice must be signed by the shareholder of record who intends to make the nomination (or his or her duly authorized proxy or other representative) and must bear the date of signature of such shareholder or representative. Article II, Section 2.02(B) of the Bylaws provides that notices with respect to any nomination for a Board election to be held at any special meeting must contain all the information set forth above and must be received by the Secretary of the Company not earlier than 90 days and not later than the later of 60 days prior to the special meeting or ten days after notice of such meeting is first given to shareholders. The Bylaws require similar notice with respect to shareholder proposals for other action to be taken at a meeting of shareholders (see "SHAREHOLDER PROPOSALS"). Shareholders wishing to submit a nomination should review the Bylaw requirement regarding nominations by shareholders and should communicate with the Secretary of the Company at American Medical Security Group, Inc., 3100 AMS Boulevard, Green Bay, Wisconsin 54313, for further information. Compliance with the Bylaw advance notice requirements does not confer any right to have a shareholder nomination or proposal included in the Company's proxy statement or form of proxy unless the Board of Directors determines to adopt or recommend the nomination or proposal for such inclusion.

The Board of Directors of the Company unanimously recommends that you vote "FOR" each of the Board's nominees on the enclosed proxy card.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information regarding the beneficial ownership (as that term is defined in Rule 13d-3 under the Securities Exchange Act of 1934 (the "Exchange Act")) of shares of Common Stock by (1) each person or entity known to the Company to own beneficially more than 5% of the shares of the outstanding Common Stock, (2) each director and each nominee for director of the Company, (3) each executive officer of the Company named in the Summary Compensation Table below, and (4) all directors and executive officers of the Company as a group. Unless otherwise indicated, each shareholder listed below has sole voting and dispositive power with respect to shares of Common Stock beneficially owned. Information is as of March 31, 2002, for directors, nominees for director and executive officers. Information for 5% shareholders (other than Mr. Miller) is as disclosed in reports regarding such ownership filed with the Securities and Exchange Commission (the "SEC") in accordance with Sections 13(d) or 13(g) of the Exchange Act.

Name and Address	Number of Shares Beneficially Owned(1)	Percent of Class
Blue Cross & Blue Shield United of Wisconsin(2) 401 W. Michigan Street Milwaukee, WI 53203	4,909,525	39.0%
Dimensional Fund Advisors Inc. 1299 Ocean Avenue, 11 th Floor Santa Monica, CA 90401	1,195,900	9.5
Heartland Advisors, Inc.(3) 789 North Water Street Milwaukee, WI 53202	1,111,600	8.8
Wellington Management Company, LLP(4) 75 State Street Boston, MA 02109	1,088,400	8.6
Samuel V. Miller(5)(6) 3100 AMS Boulevard Green Bay, WI 54313	758,818	5.7
Roger H. Ballou	20,848	*
W. Francis Brennan	29,000	*
Mark A. Brodhagen	1,667	*
Kenneth L. Evason(6)	—	*
Thomas R. Hefty(2)(6)	176,705	1.4
James C. Hickman(6)	19,200	*
William R. Johnson(6)	38,000	*
Eugene A. Menden(6)	20,500	*
Edward L. Meyer, Jr.	1,667	*
Michael T. Riordan(5)	24,000	*
H.T. Richard Schreyer(5)	6,792	*
Frank L. Skillern	29,000	*
J. Gus Swoboda	20,500	*
Gary D. Guengerich	185,438	1.5
James C. Modaff	102,750	*
Thomas G. Zielinski	126,893	1.0
Timothy J. Moore	88,363	*
All directors and executive officers as a group: 21 persons	1,695,768	12.0

* Less than 1%.

(1)

Includes the following number of shares which the individual has the right to acquire within 60 days of March 31, 2002, upon the exercise of stock options: Mr. Miller, 727,318 shares; Messrs. Ballou, Brennan, Hickman, Johnson, Menden, Riordan, Skillern, and Swoboda, 19,000 shares each; Messrs. Brodhagen, Meyer and Schreyer, 1,667 shares each; Mr. Hefty, 155,543 shares; Mr. Guengerich, 170,538 shares; Mr. Modaff, 102,750 shares; Mr. Zielinski, 106,250 shares; Mr. Moore, 79,886 shares; and all directors and executive officers as a group, 1,541,248 shares.

(2)

The 4,909,525 shares owned by BCBSUW after the Share Repurchase are deemed to be beneficially owned by Cobalt Corporation, 401 West Michigan Street, Milwaukee, WI 53203, and by Wisconsin United for Health Foundation, Inc. ("Foundation"), 410 E. Doty Street, Madison, WI 53701. Cobalt is the sole owner of BCBSUW and the Foundation beneficially owns approximately 77.5% of the outstanding shares of Cobalt's common stock. As President of BCBSUW, Mr. Hefty may be deemed an indirect beneficial owner of the 4,909,525 shares owned by BCBSUW. Mr. Hefty has disclaimed beneficial ownership of such shares.

(3)

The 1,111,600 shares may be deemed beneficially owned by William J. Nasgovitz as a result of his position as President and as a principal shareholder of Heartland Advisors, Inc. and as an officer and director of Heartland Group, Inc. Mr. Nasgovitz's address is 789 North Water Street, Milwaukee, WI 53202. Heartland Advisors, Inc. has sole voting power with respect to 436,900 shares and sole dispositive power with respect to 1,111,600 shares beneficially owned and does not have shared voting or shared dispositive power with respect to any shares. Mr. Nasgovitz has sole voting power with respect to 500,000 shares of the 1,111,600 shares beneficially owned.

(4)

Wellington Management Company, LLP has shared voting power with respect to 388,900 shares and shared dispositive power with respect to 1,088,400 shares beneficially owned and does not have sole voting power or sole dispositive power with respect to any shares.

(5)

Includes the following shares owned jointly with such person's spouse, with respect to which such person shares voting power and dispositive power: Mr. Miller, 6,500 shares; Mr. Riordan, 5,000 shares; and Mr. Schreyer, 2,000 shares.

(6)

Messrs. Evason, Hefty, Hickman, Johnson, Menden and Miller are the beneficial owners of shares of common stock of Cobalt, whose wholly owned subsidiary, BCBSUW, owns 39% of the issued and outstanding shares of the Company's Common Stock. The individuals beneficially own the following shares of Cobalt common stock, which includes shares indicated that the individual has the right to acquire within 60 days of March 31, 2002, upon the exercise of stock options to purchase Cobalt common stock: Mr. Evason, 16,900 shares; Mr. Hefty, 562,163 shares including 528,579 stock options; Mr. Hickman, 6,826 shares including 6,626 stock options; Mr. Johnson, 8,626 shares including 6,626 stock options; Mr. Menden, 8,126 shares including 6,626 stock options; and Mr. Miller, 200,019 shares including 198,019 stock options.

As of the record date, April 15, 2002, BCBSUW owned 39% of the issued and outstanding shares of the Common Stock. During 2001, James C. Hickman, a director of the Company, was a director of BCBSUW until March 23, 2001. Mr. Hickman and Eugene A. Menden, another director of the Company, were also directors of United Wisconsin Services, Inc., now known as Cobalt, until March 23, 2001 (see "CERTAIN TRANSACTIONS" below). Cobalt is the sole shareholder of BCBSUW. Pursuant to the Stock Purchase Agreement, BCBSUW has agreed that it will vote in favor of the Company's nominees for election at the Meeting (see "CERTAIN TRANSACTIONS--Stock Purchase Agreement" below).

EXECUTIVE COMPENSATION

The following table summarizes the total compensation paid by the Company to the Chief Executive Officer and the four other most highly compensated executive officers of the Company (the "Named Executive Officers") for services rendered to the Company for the fiscal years ended December 31, 2001, 2000 and 1999.

Summary Compensation Table

		Annual Compensation			Long-Term Compensation		
					Awards		
Name and Principal Position	Year	Salary ($)	Bonus ($) (1)	Other Annual Compensation ($)(2)	Restricted Stock Awards ($)	Securities Underlying Options/ SARs (#)(3)	All Other Compensation ($)(4)
Samuel V. Miller	2001	$ 700,000	$ 700,000	$ 5,619	$ 138,750(5)	—	$ 27,00
Chairman of the Board, President &	2000	500,000	500,000	3,372	—	200,000	34,62
Chief Executive Officer	1999	500,000	500,000	18,628	—	148,000	2,00
Gary D. Guengerich	2001	286,938	271,200	4,211	—	50,000	13,03
Executive Vice President,	2000	273,272	75,000	4,889	—	55,000	7,67
Chief Financial Officer	1999	260,000	67,600	5,226	—	68,000	
& Treasurer							
James C. Modaff(6)	2001	286,508	304,200	7,748	—	50,000	13,05
Executive Vice President & Chief	2000	271,174	75,000	6,307	—	55,000	12,68
Actuary	1999	108,000	130,000	6,741	—	178,000	3,00
Thomas G. Zielinski(6)	2001	286,508	304,200	10,901	—	50,000	11,98
Executive Vice President of	2000	270,898	100,000	9,646	—	55,000	11,63
Operations	1999	93,000	200,000	980	—	185,000	1,40
Timothy J. Moore	2001	198,462	125,500	—	—	25,000	8,4
Senior Vice President, General	2000	188,511	37,000	—	—	20,000	6,4
Counsel & Secretary	1999	180,000	37,000	—	—	27,000	3,9

(1)
Bonus amounts represent amounts earned under incentive bonus plans and, in Mr. Miller's case, an employment contract, and for Messrs. Modaff and Zielinski include new hire recruitment bonuses and minimum guaranteed bonuses for services during 1999, the year in which they were first employed (see footnote 6).

(2)
Amounts represent reimbursement for the payment of taxes related to compensation recognized in connection with moving expenses and tl personal use of Company vehicles and airplane. The amounts indicated do not include perquisites and other personal benefits for the Named Executive Officers, which, for each officer, did not exceed the lesser of $50,000 or 10% of the officer's total annual salary and bonus.

(3)
These options are granted under the Company's Equity Incentive Plan, which permits limited transfers of nonqualified stock options to certain members of the optionee's immediate family or to a trust for their benefit.

(4)
Amounts represent the Company's matching contributions to the Company's retirement savings plan and nonqualified executive retirement plan.

(5)
Consists of a grant of 25,000 shares of restricted Common Stock pursuant to an agreement entered into with Mr. Miller on July 9, 2001. Tl restricted stock grant was subject to vesting on the earlier of

five years from the date of grant or the date on which shares of the Company's Common Stock traded at $10.25 per share or more for 10 consecutive trading days. The restricted stock vested on December 14, 2001, with a value of $266,250 based on the $10.65 closing price of Common Stock on that date (see "COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION—Chief Executive Officer Compensation").

(6)
Messrs. Modaff and Zielinski became employees of the Company on August 2, 1999 and August 23, 1999, respectively.

The following table details the stock options granted to the Named Executive Officers during 2001, each of which was granted pursuant to the Equity Incentive Plan. No stock appreciation rights ("SARs") were granted during 2001.

Option/SAR Grants in Last Fiscal Year (1)

	Individual Grants				Potential Realized Value at Assumed Annual Rates of Stock Price Appreciation For Option Term (2)	
Name	Number of Securities Underlying Options/SARs Granted (#)	Percent of Total Option/SARs Granted to Employees in Fiscal Year	Exercise or Base Price ($/Share)	Expiration Date	5% ($)	10% ($)
Samuel V. Miller	—	—%	$ —	—$	—	$
Gary D. Guengerich	50,000	14.8	10.20	11/28/2013	405,887	1,090,5
James C. Modaff	50,000	14.8	10.20	11/28/2013	405,887	1,090,5
Thomas G. Zielinski	50,000	14.8	10.20	11/28/2013	405,887	1,090,5
Timothy J. Moore	25,000	7.4	10.20	11/28/2013	202,943	545,2

(1)
The grants consisted entirely of nonqualified stock options granted pursuant to the Equity Incentive Plan. All options granted to the Named Executive Officers have a term of 12 years, subject to earlier expiration in certain events related to termination of employment. The options were granted at 100% of the fair market value of the Company's Common Stock on the date of grant and become exercisable as to 25% of such options on each of the first four anniversaries of the date of grant. Exercisability of unvested options is accelerated in the event of the optionee's death or disability, or upon termination of employment as a result of a change of control. A change in control generally occurs upon (1) any person, or group as defined in Section 13(d)(3) of the Exchange Act, becoming the beneficial owner of 40% or more of the Company's outstanding voting securities, (2) a merger, consolidation or reorganization of the Company with another entity in which the outstanding voting securities of the Company are converted into less than 60% of the voting securities of the surviving entity, (3) a sale of all or substantially all of the assets of the Company, (4) a majority of the Board of Directors of the Company are replaced as a result of an actual or threatened contested election of directors, or (5) the shareholders approve a plan of liquidation or dissolution of the Company. Except in the event of termination of employment as a result of a change of control, no option may be exercised within the first six months following the date of grant. The options permit limited transfers to certain members of the optionee's immediate family or to a trust for their benefit.

(2)
The ultimate values of the options will depend on the future market price of the Company's stock, which cannot be forecast with reasonable accuracy. The actual value, if any, an optionee will realize upon exercise of an option will depend on the excess of the market value of the Company's Common Stock over the exercise price on the date the option is exercised. There is no assurance that the value realized by an optionee will be at or near the assumed 5% and 10% annual rates of stock price appreciation shown in this table.

No stock options or SARs were exercised by any of the Named Executive Officers during 2001. The number of unexercised options and the total value of unexercised in-the-money options at December 31, 2001, are shown in the following table. No SARs were outstanding at December 31, 2001.

Aggregated Option/SAR Exercises in Last Fiscal Year And Fiscal Year End Option/SAR Values

Name	Number of Securities Underlying Unexercised Option/SARs at FY-End (#)		Value of Unexercised In-the-Money Options/SARs at FY-End ($)(1)	
	Exercisable	Unexercisable	Exercisable	Unexercisable
Samuel V. Miller	727,318	249,000	$ 1,355,654	$ 1,635,550
Gary D. Guengerich	170,538	155,250	459,821	681,878
James C. Modaff	102,750	180,250	419,034	731,253
Thomas G. Zielinski	106,250	183,750	534,672	846,891
Timothy J. Moore	79,886	68,500	193,060	276,856

(1)
The value of unexercised in-the-money options represents the positive spread between the $12.45 per share closing price of the Company's Common Stock as reported on the New York Stock Exchange composite tape on December 31, 2001, and the exercise price of unexercised options. The actual amount, if any, realized upon exercise of options will depend on the market price of the Common Stock relative to the per share exercise price at the time the option is exercised.

Employment and Related Agreements

Mr. Miller is a party to an Employment Agreement (the "Miller Agreement") with the Company dated as of September 28, 2000, as amended, which supersedes an Employment and Noncompetition Agreement dated as of April 7, 1998. The Miller Agreement contains customary employment terms. The terms of the Miller Agreement, which expires on December 31, 2003, provide for automatic one-year extensions (unless notice not to extend is given by either party at least 30 days prior to the end of the effective term) and beginning January 1, 2001, provide for an annual base salary of $700,000 and annual performance bonuses ranging from zero to 132% of base salary. Such performance bonus amounts are dependent upon the achievement of target performance goals determined by the Compensation Committee. Any portion of Mr. Miller's performance bonus that is not deductible as a result of Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code") is deferred and held in a rabbi trust. In the event of termination of Mr. Miller's employment by the Company without "cause" (as defined in the Miller Agreement), resignation by Mr. Miller for "good reason" (as defined in the Miller Agreement) or if the Company does not renew the Miller Agreement, Mr. Miller will be entitled to receive payments equal to three times his base salary and three times the average of his performance bonus earned for the two most recent fiscal years preceding employment termination. In addition, Mr. Miller will be entitled to continuation of medical and dental coverage for three years. The Miller Agreement also includes noncompetition and confidentiality provisions.

Messrs. Guengerich, Modaff, Zielinski and Moore participate in the American Medical Security Group, Inc. Change of Control Severance Benefit Plan, as amended, (the "Severance Plan"). Benefits are payable under the Severance Plan if, during a period beginning six months prior to a "change of control" and ending on the second anniversary of a change of control, (1) the participant's employment is terminated by the Company, except for "cause," as defined in the Severance Plan, death or disability, or (2) the participant voluntarily terminates employment with "good reason," as defined in the Severance Plan. For purposes of the Severance Plan, a "change of control" shall have occurred upon (1) any person, or group as defined in Section 13(d)(3) of the Exchange Act, becoming the beneficial owner of 40% or more of the Company outstanding voting securities, (2) a merger, consolidation or reorganization of the

Company with another entity in which the outstanding voting securities of the Company are converted into less than 60% of the voting securities of the surviving entity, (3) a sale of all or substantially all of the assets of the Company, (4) a majority of the Board of Directors of the Company are replaced as a result of an actual or threatened contested election of directors, or (5) the shareholders approve a plan of liquidation or dissolution of the Company. Severance Plan benefits include the payment of severance equal to the sum of (1) three times the higher of the executive's current salary or average salary for the prior two years, (2) three times the higher of the executive's target bonus for the year of employment termination or annual bonus received for the prior year, and (3) the amount of the executive's target bonus for the year of employment termination prorated for the portion of the year prior to termination. In addition, the Company would also provide health, dental, long-term disability and life insurance coverage for the same periods of time. In the event the executive qualifies for severance benefits under any other agreement with the Company, benefits payable under the Severance Plan are reduced by the amount of the benefits paid pursuant to the other agreement. The Miller Agreement provides for the payment of severance benefits to Mr. Miller following termination of employment as a result of a change of control on substantially the same terms as payments under the Severance Plan to the other executives in the event of a change of control.

In connection with the employment offers accepted by Messrs. Guengerich, Modaff, Zielinski and Moore, the Company has also agreed to provide Messrs. Guengerich, Modaff, Zielinski and Moore with severance benefits in the event of termination of their employment by the Company without cause. These benefits include payments equal to one year's salary and medical insurance coverage for one year.

COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

Introduction

The Compensation Committee of the Board of Directors (the "Compensation Committee") is comprised of four independent, non-employee directors. The Compensation Committee establishes and directs the administration of all programs under which executive compensation is paid or awarded to the Company's executive officers. In addition, the Compensation Committee evaluates executive officer performance and assesses the overall effectiveness of the Company's executive compensation programs.

Compensation Philosophy and Objectives

The Company's compensation and benefit programs are designed to:

- Attract and retain top level executive talent required to attain the Company's short- and long-term goals.
- Motivate executives to achieve the goals of the Company's business strategy.
- Link executive and shareholder financial interests through appropriate equity-based long-term incentive plans.
- Provide executives with a compensation package that recognizes individual contributions and overall business results.

Elements of Executive Compensation

The elements of executive compensation include base salary, an annual incentive program and an equity incentive plan. The Compensati Committee's decisions with respect to each of these elements are discussed below. While the elements of compensation described in this repo are considered separately, the Compensation Committee takes into account the full compensation package afforded by the Company to the individual, including salary, incentive compensation, retirement and other benefits. In reviewing the individual performance of the executive whose compensation is detailed in this proxy statement, other

than the Chief Executive Officer ("CEO"), the Compensation Committee takes into account the views of the CEO.

Each year the Compensation Committee reviews the Company's executive compensation program to ensure that pay opportunities are competitive with the current market and that there is appropriate linkage between Company performance and executive compensation. This process includes consultation with a national compensation and benefits consultant on issues of base salary, annual incentive awards, stock options and other long-term equity awards, and overall compensation. The Compensation Committee's review includes a comparison of the Company's executive compensation against an appropriate peer group and general industry data of comparably sized companies.

The peer group consists of a group of companies against which the Company competes in the marketplace and competes for executive talent. The peer group includes a composite of health and life insurance companies as surveyed by the Company's executive compensation consultant. Because many of the peer group companies are significantly larger than the Company, peer group compensation data is statistically regressed for purposes of compensation comparisons in order to ascertain the predicted level of compensation for an organization with annual revenue comparable to the Company's. The companies in the peer group comprise the peer index included in the Performance Graph contained in this proxy statement.

Base Salary

Base salaries for executive officers are initially determined by evaluating and comparing the responsibilities of their positions and experiences and by reference to the competitive marketplace for executive talent. Qualitative factors including time in position, responsibilities and experience are also considered in establishing base salaries. Base salary adjustments for 2001 generally resulted in salaries at the competitive median or slightly below the competitive median of executives in the peer group, except for the CEO whose base salary is discussed below.

Annual Incentive Compensation

The Company's executive officers are eligible for an annual performance bonus under the Company's executive management incentive program (the "Annual Program"). The Annual Program emphasizes the achievement of internal financial goals that are aligned with the interes of the Company's shareholders. Bonuses paid under the Annual Program have two components: (1) achievement of corporate performance goals and (2) an assessment of specific job performance characteristics. Performance bonuses are weighted 60% on achievement of corporate performance goals and 40% on a qualitative evaluation of individual job performance. The corporate performance factor for 2001 was earning before interest, taxes, depreciation and amortization ("EBITDA"). Target incentive opportunities are set, when combined with base salaries, to result in total cash compensation (base salary and annual incentives) at the competitive median.

The Annual Program is designed to align executive compensation with the profitability of the Company and to reward those executives who made significant contributions to the Company's business objectives. Participants in the Annual Program are high performers around whom the Company's high performance work culture is built. The Compensation Committee uses discretion in evaluating each executive's individual performance.

For 2001, the potential range of bonus awards for executive officers (other than the CEO) was zero to 120% of annual base salary with th actual payout ranging from 53% to 105% of base salary. In determining the corporate performance component of the annual performance bonuses for 2001, the Compensation Committee considered the achievement of the Company EBITDA performance goal excluding a nonrecurring litigation charge taken during the year. Bonus awards for the individual performance component were based on a subjective assessment of each executive's performance with input from the CEO. The performance awards for fiscal 2001 were paid in the first quarter o 2002.

Long-Term Incentive Compensation

Long-term incentives are provided primarily pursuant to the Company's Equity Incentive Plan, as amended (the "Equity Incentive Plan"), which provides for the grant of stock options, stock appreciation rights, restricted stock, and performance units and performance shares.

The purpose of the Equity Incentive Plan is to promote the success and enhance the value of the Company by linking the personal interests of employees to those of the Company's shareholders, and by further providing employees that receive awards under the Equity Incentive Plan with an incentive for outstanding performance. When awarding long-term incentives, the Compensation Committee considers compensation practices at peer group companies, general industry data, the executive's level of responsibility, prior experience and historical award data.

The Compensation Committee is responsible for administering the Equity Incentive Plan. During 2001, nonqualified stock option grants were made under the Equity Incentive Plan and an award of 25,000 shares of restricted stock was made to the CEO, which is discussed below under "Chief Executive Officer Compensation." The option grants are designed to motivate employees to maximize shareholder value and maintain a medium to long-term perspective. Option grants are made at no less than the fair market price on the date of grant and generally become exercisable in equal annual installments over a four-year term, expiring no later than 12 years after the date of grant. All full-time active employees of the Company are eligible to participate in the Equity Incentive Plan.

When determining the size of annual option grants made to executive officers in 2001, the Compensation Committee considered the result of the peer group survey performed by the Company's executive compensation consultant, general industry data gathered by the consultant, recommendations of the CEO for officers other than himself, internal equity among executives, Company performance and the increased value of the Company's common stock. The commonly used Black-Scholes valuation methodology is used to determine grant sizes at competitive value. Option award sizes for 2001 were generally below the competitive median.

Nonqualified stock options to purchase a total of 175,000 shares were granted to the Company's four executive officers other than the CEO named in the compensation table during fiscal 2001.

Chief Executive Officer Compensation

Mr. Miller became the CEO of the Company in 1998. On September 28, 2000, he entered into a new employment and noncompetition agreement with the Company with a term ending on December 31, 2003 (the "Miller Agreement"). Under the terms of the Miller Agreement, Mr. Miller's annual base salary is $700,000 and he is eligible for annual performance bonuses ranging from zero to 132% of base salary. Mr. Miller's annual performance bonuses are based 60% on Company performance criteria, which are established by the Compensation Committee, and 40% on individual performance. For 2001, Mr. Miller participated in the Annual Program described above, which used EBITDA for the corporate performance component.

In determining the corporate performance component of Mr. Miller's annual performance bonus for 2001, the Compensation Committee considered the achievement of the Company EBITDA performance goal excluding a nonrecurring litigation charge taken during the year. The individual performance component of Mr. Miller's 2001 bonus was based on a subjective assessment of his leadership in implementing the overall strategic direction of the Company. For 2001, Mr. Miller received an annual performance bonus of $700,000 or 100% of base salary.

In 2001, the Compensation Committee evaluated long-term incentive alternatives to address two issues: (1) the large number of outstanding stock options at exercise prices significantly above the Company's then current stock price, some of which were granted prior to the time the current management of the Company was in place, and (2) the limited number of shares remaining available for future grant under the Equity Incentive Plan. As a result of that evaluation, the Company and Mr. Miller entered

into an agreement dated July 9, 2001, under which Mr. Miller received 25,000 shares of restricted stock upon his surrender of (1) a nonqualified stock option to purchase 198,019 shares of Company Common Stock at an exercise price of $15.76 per share, which had a remaining option term of six years, and (2) a nonqualified stock option to purchase 245,838 shares of Company Common Stock at an exercise price of $16.27 per share, which had a remaining option term of seven years. On the date of grant, the restricted stock had a value of $138,750 based on the $5.55 per share closing price of the Company's Common Stock. The primary reason for the surrender of Mr. Miller's stock options for the restricted stock was to increase the pool of shares available for future grant under the Equity Incentive Plan. The surrender of stock options by Mr. Miller more than doubled the number of shares available for future grant under the Equity Incentive Plan. The Compensation Committee used its discretion in determining the size of the restricted stock grant. The restricted stock grant was subject to vesting on the earlier of five years from the date of grant or the date on which shares of the Company's Common Stock traded at $10.25 per share or more for 10 consecutive trading days. Mr. Miller's restricted stock vested on December 14, 2001, due to the achievement of the target stock price.

In January 2002, Mr. Miller received options to purchase 160,000 shares of Company Common Stock at an exercise price of $12.25 per share. This equity interest recognized Mr. Miller's leadership and provides an appropriate link to the interests of shareholders. When determining the size of the CEO's option grant, the Compensation Committee considered the results of the peer group survey performed by the Company's executive compensation consultant, historical grant levels and Mr. Miller's overall compensation. Based on the commonly used Black-Scholes valuation methodology, Mr. Miller's grant was positioned below the 50 th percentile of competitive practice.

Pursuant to the Miller Agreement, Mr. Miller participates in a deferral program whereby any portion of his annual performance bonus that is not deductible as a result of Section 162(m) of the Internal Revenue Code of 1986, as amended, (the "Internal Revenue Code") is deferred until he is no longer an employee of the Company or he is no longer considered a "covered employee" within the meaning of Section 162(m)(3 of the Internal Revenue Code. Deferred amounts are held in a rabbi trust and are credited with interest at a rate equal to a money market rate.

Policy on Deductibility of Compensation

Section 162(m) of the Internal Revenue Code limits the Company's federal income tax deduction for compensation to its CEO and any of its four other highest paid executive officers to $1 million. Qualified performance-based compensation is not subject to the $1 million limitation, provided certain requirements of Section 162(m) are satisfied. In 2001, none of the Company's executives received compensation in excess of $1 million for purposes of Section 162(m) and all executive compensation paid in fiscal 2001 is fully deductible. In order to preserve the deductibility of Mr. Miller's compensation, a portion of his annual incentive for 2001 was deferred pursuant to the deferral program described above.

Conclusion

After its review of the total compensation program for the executives of the Company, the Compensation Committee continues to believe that these executive compensation policies and practices serve the interests of the shareholders and the Company effectively. We also believe that the various compensation programs offered are appropriately balanced to provide increased motivation for executive officers to contribute to the Company's overall future success, thereby increasing the value of the Company for the shareholders' benefit. The Compensation Committee will continue to monitor the effectiveness of the Company's total compensation program to meet the ongoing needs of the Company.

COMPENSATION
COMMITTEE
Roger H. Ballou, Chairman
W. Francis Brennan
Michael T. Riordan
Frank L. Skillern

PERFORMANCE GRAPH

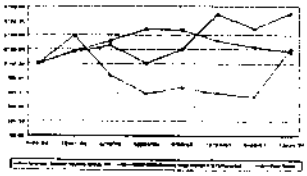
Two performance graphs are presented below to provide cumulative shareholder return information for the Company on (1) a post-Spin-off (as defined below in "CERTAIN TRANSACTIONS") basis reflecting continuing operations and (2) a five-year historical basis, as is required by Exchange Act reporting regulations (see "CERTAIN TRANSACTIONS" for a description of the Spin-off).

The first graph compares the cumulative shareholder return of the Company's Common Stock for the period from September 28, 1998 (the first day of trading on the New York Stock Exchange following the completion of the Spin-off) through December 31, 2001, to the cumulative total returns of the NYSE/AMEX/Nasdaq Stock Market and a peer group of issuers selected by the Company. The second performance graph compares the cumulative shareholder return of the Company's Common Stock (traded on the New York Stock Exchange prior to the Spin-off under the listing of United Wisconsin Services, Inc. and after the Spin-off under the listing of American Medical Security Group, Inc.) for the five-year period ended December 31, 2001, to the cumulative total returns of the same market and peer group as the short-period graph.

The peer group consists of a composite of life and health insurance companies against which the Company competes in the marketplace. The following companies are included in the peer group: Aetna Inc.; United Healthcare Corporation; Humana, Inc.; Pacificare Health Systems, Inc.; Health Net, Inc. (f/n/a Foundation Health Systems, Inc.); Wellpoint Health Networks, Inc.; Oxford Health Plans, Inc.; Jefferson-Pilot; Unitrin, Inc.; Trigon Healthcare, Inc.; Sierra Health Services, Inc.; and Rightchoice Managed Care, Inc. The Company also uses this peer group for executive compensation comparison purposes.

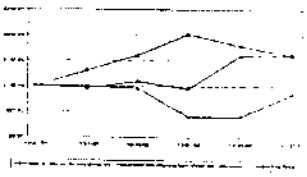
The graphs assume an investment of $100 in each of the Company's Common Stock, the NYSE/AMEX/Nasdaq Stock Market and the peer group of issuers at the beginning of the periods (September 28, 1998, and December 31, 1996, as the case may be) and assume reinvestment of dividends. In the five-year graph, the Spin-off of the Company's managed care and specialty products business was treated as a special dividend of $7.19 per share that was reinvested in Company Common Stock on September 28, 1998, the first day of trading following the Spin-off. The line graphs are not intended to be indicative of future stock performance.

Comparison of Cumulative Total Returns
From September 28, 1998 through December 31, 2001
Performance Graph
American Medical Security Group, Inc.



	9/28/98	12/31/98	6/30/99	12/31/99	6/30/00	12/31/00	6/30/01	12/31/01
American Medical Security Group, Inc.	$ 100.00	$ 139.63	$ 84.15	$ 58.54	$ 67.07	$ 58.54	$ 54.34	$ 121.4
NYSE/AMEX/Nasdaq Stock Market (US Companies)	100.00	118.01	132.23	147.90	146.15	131.03	123.70	117.0
Peer Group	100.00	116.09	126.55	100.89	120.10	169.58	149.24	170.5

Comparison of Cumulative Total Returns
From December 31, 1996 through December 31, 2001
Performance Graph
American Medical Security Group, Inc.



	12/31/96	12/31/97	12/31/98	12/31/99	12/31/00	12/31/01
American Medical Security Group, Inc.	$ 100.00	$ 99.69	$ 95.70	$ 40.12	$ 40.12	$ 83.25
NYSE/AMEX/Nasdaq Stock Market (US Companies)	100.00	130.94	161.55	202.45	179.36	160.24
Peer Group	100.00	96.98	109.40	95.07	159.81	160.76

AUDIT COMMITTEE REPORT

The primary responsibility of the Audit Committee is to oversee the Company's financial reporting process on behalf of the Board of Directors. Management has the primary responsibility for the financial statements and the reporting process including the systems of internal controls. In fulfilling its oversight responsibilities, the Audit Committee reviewed and discussed the audited financial statements with management. This included a discussion of the quality, not just the acceptability, of the accounting principles applied, and the reasonableness of significant judgments and the clarity of disclosures in the financial statements.

The Company's independent auditors are responsible for expressing an opinion on the conformity of the audited financial statements with generally accepted accounting principles. The Audit Committee has discussed with the independent auditors the judgments of the independent auditors as to the quality, not just the acceptability, of the Company's accounting principles and such other matters that the independent auditor are required to discuss with the Audit Committee under generally accepted auditing standards, including Statement on Auditing Standards No. 61, as amended, "Communications with Audit Committees." In addition, the Audit Committee has discussed with the independent auditors the independence of the auditors from management and the Company, including the matters in the written disclosures and the letter from the independent auditors required by the Independence Standards Board Standard No. 1, "Independence Discussions with Audit Committees." The Audit Committee considered the compatibility of nonaudit services provided by the audit firm with the auditors' independence.

The Audit Committee discussed with the Company's internal and independent auditors the overall scope and plans for their respective audits. The Audit Committee meets with the independent auditors, with and without management present, to discuss the results of their examinations, their evaluations of the Company's internal controls and the overall quality of the Company's financial reporting. The Audit Committee also met with the internal auditor, with and without management present, to discuss the results of internal examinations.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Annual Report on Form 10-K for the year ended December 31, 2001, for filing with the Securities and Exchange Commission.

AUDIT COMMITTEE
Eugene A. Menden, Chairman
W. Francis Brennan
James C. Hickman
H.T. Richard Schreyer
J. Gus Swoboda

AUDITORS AND PRINCIPAL ACCOUNTING FIRM FEES

The Board of Directors, upon recommendation of the Audit Committee of the Board, has selected Ernst & Young LLP ("Ernst & Young") as independent auditors for the Company for the year ended December 31, 2002. Ernst & Young has examined the accounts of the Company each year since 1988. Representatives of Ernst & Young will be present at the Meeting, will be available to respond to questions and may make a statement if they so desire.

Fees Billed to the Company by Ernst & Young during Fiscal 2001

Audit Fees

The aggregate fees billed by Ernst & Young for professional services rendered for the audit of the Company's annual financial statements for the fiscal year ended December 31, 2001, and for the reviews of

the financial statements included in the Com ' 's Quarterly Reports on Form 10-Q for that fi) year were $209,475.

All Other Fees

The aggregate fees billed by Ernst & Young for services rendered to the Company, other than for services described under "Audit Fees" above, for the fiscal year ended December 31, 2001 were $105,313. Included in these fees is $77,038 for audit related fees. Ernst & Young did not provide any professional services to the Company for information technology services relating to financial information systems design and implementation for the fiscal year ended December 31, 2001.

CERTAIN TRANSACTIONS

On May 27, 1998, the Board of Directors of the Company, then known as United Wisconsin Services, Inc., approved a plan to spin off its managed care companies and specialty products business to its shareholders. On September 11, 1998, the Company contributed all of its subsidiaries comprising the managed care and specialty products business to a newly created subsidiary named "Newco/UWS, Inc.," a Wisconsin corporation ("Newco/UWS"). On September 25, 1998, the Company spun off the managed care and specialty products business through a distribution of 100% of the issued and outstanding shares of common stock of Newco/UWS to the Company's shareholders as of September 11, 1998 (the "Spin-off"). In connection with the Spin-off, the Company adopted its current name of American Medical Security Group, Inc. and Newco/UWS changed its name to United Wisconsin Services, Inc., which is now know as Cobalt Corporation (referred to herein as "Cobalt"). As a result of the transactions entered into in connection with the Spin-off, Cobalt owns the businesses and assets of, and i responsible for the liabilities associated with, the managed care and specialty products business formerly conducted by the Company. The Company continues to own the business and assets of, and is responsible for the liabilities associated with, the Company's individual and small group business described in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2001.

As of the record date, April 15, 2002, BCBSUW (Blue Cross & Blue Shield United of Wisconsin) owned 39% of the issued and outstanding shares of the Company's Common Stock. Cobalt is the sole shareholder of BCBSUW.

Stock Purchase Agreement

On March 19, 2002, the Company entered into the Stock Purchase Agreement with Cobalt and BCBSUW whereby the Company agreed t repurchase 1,400,000 shares of Common Stock from BCBSUW at a price of $13.00 per share in cash (which is equal to the five-day average closing price for the five trading days prior to March 19, 2002, discounted by 6%), or an aggregate of $18,200,000 (the "Share Repurchase"). The Company completed the Share Repurchase on March 22, 2002.

In addition, pursuant to the Stock Purchase Agreement, Cobalt and BCBSUW agreed to an underwritten secondary offering by BCBSUW of at least 3,000,000 shares of Common Stock (with the exact number of shares to be as many shares as the underwriters advise may be sold therein). We agreed to cooperate in, and pay a portion of the expenses of, the offering. The offering will be conducted in satisfaction of the obligations contained in the Stock Purchase Agreement and the 1998 Registration Rights Agreement described below. The parties will seek to complete the secondary offering as promptly as reasonably possible.

Upon consummation of the Share Repurchase, BCBSUW withdrew its previously disclosed notice of intention to nominate four persons for election at the Meeting. In accordance with the terms of the Stock Purchase Agreement, on March 19, 2002, the Company's Board of Directors increased the size of the Board to 14 directors and appointed two new directors nominated by Cobalt/BCBSUW, Thomas R. Hefty and Kenneth L. Evason, effective upon the closing of the Share Repurchase, which occurred on March 22.

2002. Pursuant to the Stock Purchase Agreement, Cobalt/BCBSUW is entitled to designate two director nominees to the Board for so long as it holds at least 20% of the issued and outstanding shares of Common Stock and is entitled to designate only one director nominee to the Board for so long as it holds at least 10% but less than 20% of the issued and outstanding shares of Common Stock. Mr. Hefty (or his successor) will resign effective upon the date that Cobalt/BCBSUW owns less than 20% of the then issued and outstanding shares of Common Stock and Mr. Evason (or his successor) will resign effective immediately upon the date that BCBSUW/Cobalt owns less than 10% of the then issued and outstanding shares of Common Stock.

The Stock Purchase Agreement also contains certain standstill provisions whereby Cobalt/BCBSUW agreed that, for so long as Cobalt/BCBSUW has any nominee on the Board, Cobalt/BCBSUW will not, directly or indirectly, (1) acquire any voting securities of the Company, (2) make or in any way participate in any solicitation of proxies or otherwise influence any person on how to vote (or act by written consent with respect to) any voting securities of the Company for the election of directors or approval of shareholder proposals, (3) seek, propose or make any public statement that is critical of the Company's management or reasonably likely to be publicly disclosed regarding any business combination, sale or purchase of assets or securities or other extraordinary transaction involving the Company or its subsidiaries, (4) deposit any voting securities of the Company in any voting trust, arrangement or agreement (other than a trust, arrangement or agreement that is not formed for the purpose of taking, and does not take, any actions prohibited by the standstill provisions), (5) call or seek to have called any meeting of the shareholders of the Company, (6) otherwise act to control or influence the management, Board, or policies of the Company or make any public statement critical of any nominees recommended by the Board of Directors for election as directors, (7) seek representation on, or a change in the composition of, the Board of the Company, except in accordance with the Stock Purchase Agreement, (8) make any public statement (including a request to waive the standstill provision), or any other statement that would require public disclosure, regarding any of the foregoing, (9) have any discussions or enter into any arrangements with any other person regarding any of the above provisions, or (10) make or disclose any written request, or any written or oral request to the Board, to amend, waive or terminate any of the above provisions, other than oral disclosure to management not requiring public disclosure.

Cobalt/BCBSUW also agreed that, for so long as Cobalt/BCBSUW has any nominees on the Board, all shares of Common Stock beneficially owned by Cobalt/BCBSUW will (1) be present and counted for a quorum at all of the Company's shareholders' meetings at which directors will be elected and (2) voted in favor of any nominees recommended by the Board of Directors for election as directors. Cobalt/BCBSUW is free to vote its shares in its sole discretion on any other matters, and is free to vote its shares in its sole discretion on the election of directors in the event that the Company is in breach of its obligations relating to the designation of Cobalt/BCBSUW's nominees to the Board of Directors.

Cobalt/BCBSUW has the right, at any time after December 31, 2002, upon 30 days' prior written notice, to terminate such voting agreements and the standstill provisions (other than the provisions relating to its agreement not to seek representation on, or change the composition of the Board of Directors and not make solicitations, which may not be terminated prior to December 31, 2003) contained in the Stock Purchase Agreement, provided that Cobalt/BCBSUW's nominees then serving on the Board must resign from the Board at the time it gives notice of termination.

The Company is required by the Stock Purchase Agreement to amend its shareholder rights agreement upon consummation of the secondary offering of Cobalt/BCBSUW's shares if Cobalt/BCBSUW owns more than 12% of the then issued and outstanding shares of Common Stock. Such amendment will provide that an "Acquiring Person" under the shareholder rights agreement (which is the triggering provision of the "flip-in" provisions of the agreement) means any person beneficially owning the lesser of (1) 20% of the outstanding shares of Common Stock or (2) the percentage (rounded up to the nearest whole number) of issued and outstanding shares of Common Stock then held by Cobalt/BCBSUW. If, following consummation of the secondary offering, Cobalt/BCBSUW's percentage ownership of

common stock decreases, the Company has the right to further amend the shareholder rights agreement to lower the definition of Acquiring Person to the percentage of issued and outstanding shares of Common Stock then held by Cobalt/BCBSUW.

A copy of the Stock Purchase Agreement was filed with the Securities and Exchange Commission as an exhibit to the Company's Current Report on Form 8-K dated March 19, 2002.

Reinsurance Agreements and Certain Insurance Policies

During 1998, the Company and Cobalt, or their subsidiaries, entered into various quota share reinsurance agreements or amendments to existing reinsurance agreements ("Reinsurance Agreements") pursuant to which each company cedes to the other certain risks related to life insurance, health insurance, dental insurance, point-of-service and other insurance plans. Each company acting as the reinsurer also provides administrative services to the other company acting as the ceding company. As consideration for such reinsurance, the ceding company receives a ceding commission of approximately 0.5% of the gross premiums reinsured under each applicable agreement. In addition, the Company's workers compensation and employers liability insurance policy, which is purchased through an independent agent, and its long-term disability and executive medical reimbursement insurance policies are underwritten by a subsidiary of Cobalt. For fiscal 2001, 2000 and 1999, the Company received $103,221, $107,406 and $115,449, respectively, from Cobalt or its subsidiaries pursuant to the Reinsurance Agreements and paid to Cobalt, its subsidiaries or agents $362, $28,176 and $78,025, respectively, pursuant to the Reinsurance Agreements and $411,701, $536,048 and $461,387, respectively, as premiums for the insurance policies. Thomas R. Hefty, a director of the Company, is an executive officer of Cobalt and its subsidiaries.

Registration Rights Agreement

The Company and BCBSUW have entered into a Registration Rights Agreement dated as of September 1, 1998, which contains certain registration rights granted by the Company with respect to shares of Company Common Stock owned by BCBSUW. Pursuant to the terms of the agreement, BCBSUW is entitled to certain demand registration rights until the earlier of July 31, 2008, or the date on which BCBSUW owns in the aggregate less than 3% of the Company's outstanding Common Stock. If effected, the secondary offering described above in "—Stock Purchase Agreement" constitutes one of two demand registration rights granted to BCBSUW pursuant to the Registration Rights Agreement (see "CERTAIN TRANSACTIONS—Stock Purchase Agreement" above). In addition, BCBSUW is entitled, subject to certain limitations, to include its shares of Common Stock in a registration statement prepared by the Company for another offering. Also, if BCBSUW proposes to sell its Common Stock to a third party, BCBSUW may request that the Company register its shares prior to such sale, and the Company shall use its best efforts to register all of the shares that BCBSUW proposes to sell. BCBSUW has agreed not to acquire any additional Common Stock of the Company, other than as a result of any stock dividend or distribution, without the consent of the Company, for a period of ten years. The Registration Rights Agreement continues in effect except as modified by the Stock Purchase Agreement.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires the Company's executive officers and directors and any persons who beneficially own in excess of 10% of the shares of the Common Stock to file reports of ownership and changes in ownership of the Common Stock with the Securities and Exchange Commission, the New York Stock Exchange and the Company.

With the exception of one transaction involving Mr. Johnson that was reported late, based upon a review of the information furnished to the Company, the Company believes that during the fiscal year ended December 31, 2001, its executive officers and directors, and BCBSUW complied with all applicable Section 16(a) filing requirements.

OTHER MATTERS

The Company knows of no other matters to come before the Meeting. If any other matters properly come before the Meeting, it is the intention of the persons acting pursuant to the accompanying appointment of proxy form to vote the shares represented thereby in accordance with their best judgment.

SHAREHOLDER PROPOSALS

Shareholder proposals for the 2003 Annual Meeting of Shareholders of the Company must be received no later than December 27, 2002, a the Company's principal executive offices, 3100 AMS Boulevard, Green Bay, Wisconsin 54313, directed to the attention of the Secretary, in order to be considered for inclusion in next year's annual meeting proxy material under Rule 14a-8 of the Securities and Exchange Commission's proxy rules.

Under the Company's Bylaws, written notice of shareholder proposals for the 2003 Annual Meeting of Shareholders of the Company which are not intended to be considered for inclusion in next year's proxy material (shareholder proposals submitted outside the processes of SEC Rule 14a-8) must be received no later than February 25, 2003, and no earlier than January 26, 2003, at the Company's offices, directed to the attention of the Secretary, and such notice must contain the information specified in the Company's Bylaws. In order to be "timely" for purposes of Rule 14a-4 of the proxy rules, any such proposal must be submitted no later than February 25, 2003.

AMERICAN MEDICAL SECURITY GROUP, INC.
Timothy J. Moore
Secretary

Green Bay, Wisconsin
April 26, 2002

A COPY (WITHOUT EXHIBITS) OF THE COMPANY'S ANNUAL REPORT ON FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2001, HAS BEEN PROVIDED IN THE COMPANY'S ANNUAL REPORT ACCOMPANYING THIS PROXY STATEMENT. AN ADDITIONAL COPY WILL BE PROVIDED WITHOUT CHARGE TO EACH RECORD OR BENEFICIAL OWNER OF THE COMPANY'S COMMON STOCK AS OF APRIL 15, 2002, ON THE WRITTEN REQUEST OF SUCH PERSON DIRECTED TO: TIMOTHY J. MOORE, SECRETARY, AMERICAN MEDICAL SECURITY GROUP, INC., 3100 AMS BOULEVARD, GREEN BAY, WISCONSIN 54313.

AMERICAN MEDICAL SECURITY GROUP, INC.
AUDIT COMMITTEE CHARTER

Organization

This charter governs the operations of the Audit Committee (the "Committee") of the Board of Directors of American Medical Security Group, Inc. (the "Company"). The Committee shall review and reassess the charter at least annually and obtain the Board of Directors' approv of the charter. The Committee shall be appointed by the Board of Directors and shall be comprised of at least three Directors, each of whom ar independent of management and the Company. Members of the Committee shall be considered independent if they have no relationship that may interfere with the exercise of their independence from management and the Company. All Committee members shall be financially literate, or shall become financially literate within a reasonable period of time after appointment to the Committee. At least one member shall have accounting or related financial management expertise.

Statement of Policy

The Audit Committee shall provide assistance to the Board of Directors in fulfilling its oversight responsibility to the shareholders, potential shareholders, the investment community and others relating to the Company's financial statements and the financial reporting proces the systems of internal accounting and financial controls, the internal audit function, the annual independent audit of the Company's financial statements and the legal compliance and ethics programs as established by management and the Board. In so doing, it is the responsibility of the Committee to maintain free and open communication between the Committee and the independent auditors, the internal auditors and management of the Company. In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities and personnel of the Company and the power to retain outside counsel or other experts for this purpose.

Responsibilities and Processes

The primary responsibility of the Audit Committee is to oversee the Company's financial reporting process on behalf of the Board and report the results of their activities to the Board. Management is responsible for preparing the Company's financial statements, and the independent auditors are responsible for auditing those financial statements. In carrying out its responsibilities, the Committee's processes and procedures should remain flexible in order to best react to changing conditions and circumstances. The Committee should take the appropriate actions to set the overall corporate "tone" for quality financial reporting, sound business risk practices and ethical behavior.

The financial management and the independent auditors of the Company typically devote more time and receive more detailed informatic about the Company than do Committee members. Consequently, in carrying out its oversight responsibilities, the Committee is not providing any expert or special assurance as to the Company's financial statements or any professional certification as to the independent auditor's work

The following shall be the principal recurring processes of the Audit Committee in carrying out its oversight responsibilities. The process are set forth as a guide with the understanding that the Committee may supplement them as appropriate.

- The Committee shall have a clear understanding with management and the independent auditors that the independent auditors are ultimately accountable to the Board and the Audit Committee, as representatives of the Company's shareholders. The Committee and the Board of Directors shall have the ultimate authority and responsibility to evaluate and, where appropriate, replace the

independent auditors. The Committee shall discuss with the independent auditors the independence of the auditors from management and the Company and the matters included in the written disclosures required by the Independence Standards Board. Annually, the Committee shall review and recommend to the Board the selection of the Company's independent auditors.

The Committee shall discuss with the internal auditors and the independent auditors the overall scope and plans for their respective audits including the adequacy of staffing and compensation. Also, the Committee shall discuss with management, the internal auditors and the independent auditors the adequacy and effectiveness of the accounting and financial controls, including the Company's system to monitor and manage business risk and legal and ethical compliance programs. Further, the Committee shall meet separately with the internal auditors and the independent auditors, with and without management present, to discuss the results of their examinations.

The Committee, or the Chairman of the Committee, shall review with management and the independent auditors the Company's interim financial results prior to the release of earnings and/or the Company's quarterly financial statements prior to filing or distribution. Also, the Committee, or its Chairman, shall discuss the results of the quarterly review and any other matters required to be communicated to the Committee by the independent auditors under generally accepted auditing standards.

The Committee shall review with management and the independent auditors the financial statements to be included in the Company's Annual Report on Form 10-K (or the annual report to shareholders if distributed prior to the filing of Form 10-K), including the independent auditors' judgment about the quality, not just acceptability, of accounting principles, the reasonableness of significant judgments and the clarity of the disclosures in the financial statements. Based on these discussions, the Committee will advise the Board of Directors whether it recommends that the audited financial statements be included in the Annual Report on Form 10-K. Also the Committee shall discuss the results of the annual audit and any other matters required to be communicated to the Committee by the independent auditors under generally accepted auditing standards.

AMERICAN MEDICAL SECURITY GROUP, INC.

ANNUAL MEETING OF SHAREHOLDERS
JUNE 18, 2002

This proxy is solicited on behalf of the Board of Directors

The undersigned appoints Samuel V. Miller, Gary D. Guengerich and Timothy J. Moore, and each of them, as Proxies, with full power to appoint his substitute, and authorizes each of them to represent and vote as specified on this card with respect to the matters set forth in the accompanying proxy statement, and in the discretion of the above-named Proxies upon all other matters that may properly come before the Annual Meeting of Shareholders of American Medical Security Group, Inc. (the "Company") to be held on Tuesday, June 18, 2002, or any adjournment or postponement thereof (the "Meeting"), all the shares of Common Stock of the Company that the undersigned would be entitled to vote, with like effect as if the undersigned were personally present and voting.

This proxy when properly executed will be voted in the manner specified herein by the undersigned shareholder. If no specification is made, this proxy will be voted for Proposal 1.

IMPORTANT - PLEASE SIGN AND DATE ON THE REVERSE SIDE OF THIS PROXY CARD AND PROMPTLY RETURN IT I THE ENCLOSED POSTAGE PRE-PAID ENVELOPE.

(continued on reverse side).

AMERICAN M[illegible]ICAL SECURITY GROUP, INC. 2002 AN[illegible]AL MEETING
PLEASE MARK VOTE IN OVAL IN THE FOLLOWING MANNER US[illegible]G DARK INK ONLY. o

The Board of Directors unanimously recommends a vote FOR Item 1.

1. Election of Directors:		For All	Withhold All	For All Except*
Nominees:	Roger H. Ballou W. Francis Brennan Edward L. Meyer, Jr. J. Gus Swoboda	o	o	o

* To withhold authority to vote for any individual nominee, write the nominee's name in the space provided above and fill in the "For All Except" oval.

2.

In their discretion, upon such other business as may properly come before the Meeting or any adjournments thereof; all as set out in the Notice and Proxy Statement relating to the Meeting, receipt of which is hereby acknowledged.

Da , 2002
ted
:

Signature(s)

Note: Please sign exactly as name appears herein. Joint owners should each sign. When signing as attorney, executor, administrator, personal representative, trustee or guardian, please give full title as such. If signer is a corporation, sign full corporate name by duly authorized officer.

FOLD AND DETACH HERE

YOUR VOTE IS IMPORTANT!

PLEASE SIGN, DATE AND RETURN THIS PROXY PROMPTLY IN THE ENCLOSED, POSTAGE PRE-PAID ENVELOPE.

QuickLinks

End of Filing


C

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant /x/

Filed by a Party other than the Registrant / /
Check the appropriate box:

/ /	Preliminary Proxy Statement
/ /	Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
/x/	Definitive Proxy Statement
/ /	Definitive Additional Materials
/ /	Soliciting Material Pursuant to §240.14a-12

Cobalt Corporation
(Name of Registrant as Specified In Its Charter)
(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

/x/ No fee required

/ / Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

/ / Fee paid previously with preliminary materials.

/ / Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Cobalt Corporation
401 West Michigan Street
Milwaukee, Wisconsin 53203
(414) 226-6900

April 25, 2002

To All Shareholders:

You are cordially invited to attend the Company's 2002 Annual Meeting of Shareholders on May 29, 2002, in Chicago, Illinois.

The Annual Meeting will begin promptly at 11:00 a.m. at the Intercontinental Hotel located at 505 North Michigan Avenue, Chicago, Illinois.

The official Notice of Annual Meeting, Proxy Statement and appointment of proxy form are included with this letter. The matters listed in the Notice of Annual Meeting are described in detail in the Proxy Statement.

The vote of every shareholder is important to us. Please note that returning your completed proxy will not prevent you from voting in person at the Annual Meeting if you wish to do so. Your cooperation in promptly signing, dating and returning your proxy will be greatly appreciated.

Sincerely,
Thomas R. Hefty
Chairman of the Board, President
and Chief Executive Officer

Cobalt Corporation

401 West Michigan Street
Milwaukee, Wisconsin 53203
(414) 226-6900

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To the Holders of Common Stock of
Cobalt Corporation:

The Annual Meeting of the Shareholders (the "Meeting") of Cobalt Corporation (the "Company" or "Cobalt") will be held at the Intercontinental Hotel located at 505 North Michigan Avenue, Chicago, Illinois, on Wednesday, May 29, 2002, at 11:00 a.m. local time, for the following purposes:

1. To elect three directors of the Company for terms expiring at the 2005 Annual Meeting of Shareholders;

2. To vote on a proposal to amend the Company's Equity Incentive Plan to (a) increase the number of shares of the Company's Common Stock, $.01 par value per share ("Common Stock") available for grant thereunder from 4,500,000 to 8,700,000 shares; and (b) provide for an automatic annual grant of options to purchase 1,000 shares of Common Stock to each of the Company's non-employee director and

3. To transact any other business as may properly come before the Meeting or any adjournments or postponements thereof.

Only shareholders of record at the close of business on April 12, 2002, the record date for the Meeting, are entitled to receive notice of and to vote at the Meeting or any adjournments or postponements thereof.

A copy of the Proxy Statement furnished in connection with the solicitation of proxies by the Company's Board of Directors for use at the Meeting accompanies this Notice.

Shareholders who cannot attend in person are requested to date, fill in, sign and return the enclosed proxy form in the envelope provided. You may revoke your proxy at any time prior to the voting thereof by advising the Secretary of the Company in writing (by subsequent proxy or otherwise) of such revocation at any time before it is voted.

YOUR VOTE IS IMPORTANT. WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, PLEASE SIGN AND DATE THE ENCLOSED PROXY AND RETURN IT PROMPTLY IN THE ENVELOPE PROVIDED.

By Order of the Board of Directors,
Stephen E. Bablitch,
Secretary

Milwaukee, Wisconsin

April 25, 2002

Cobalt Corporation

PROXY STATEMENT

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of Cobalt Corporation (the "Company" or "Cobalt") for use at the Annual Meeting of Shareholders (the "Meeting") to be held at the Intercontinental Hotel located at 505 North Michigan Avenue, Chicago, Illinois, on Wednesday, May 29, 2002, at 11:00 a.m. local time, and at any adjournments or postponements thereof. At the Meeting, shareholders of the Company will consider and vote upon:

(i)
the election of three directors of the Company for terms expiring at the 2005 Annual Meeting of Shareholders;

(ii)
an amendment (the "Plan Amendment") to the Company's Equity Incentive Plan (the "Plan") (a) increasing the number of shares of the Company's Common Stock, no par value ("Common Stock") available for grant thereunder from 4,500,000 to 8,700,000 shares; and (b) providing for an automatic annual grant of options to purchase 1,000 shares of Common Stock to each of the Company's non-employee directors; and

(iii)
such other business as may be properly brought before the Meeting.

Only holders of record of shares of Common Stock at the close of business on April 12, 2002, the record date for the Meeting, are entitled to receive notice of and to vote at the Meeting. Shareholders will be entitled to one vote for each share of Common Stock held. On April 12, 2002, 40,693,754 shares of Common Stock were issued and outstanding and entitled to vote at the Meeting.

James L. Forbes, D. Keith Ness, M.D., and William C. Rupp, M.D. have been nominated for election to the Company's Board of Directors with terms expiring in 2005. The Board of Directors expects all nominees for director to be available for election. In case any nominee for director is not available, the proxy holders may vote for a substitute.

Returning your completed proxy form will not prevent you from voting in person at the Meeting should you be present and wish to do so. You may revoke your proxy at any time before it is voted by advising the Secretary of the Company of such revocation in writing (by subsequent proxy or otherwise).

The Company knows of no specific matter to be brought before the Meeting that is not referred to in the Notice of Annual Meeting. If any such matter properly comes before the Meeting, then it is the intention of the persons acting pursuant to the enclosed appointment of proxy form to vote the shares represented thereby in accordance with their best judgment.

Directors will be elected at the Meeting by a plurality of the votes cast at the Meeting. The affirmative vote of a majority of the votes cast at the Meeting on the Plan Amendment (assuming a quorum is present) is required to approve the Plan Amendment, provided that a majority of the outstanding shares of Common Stock are voted on the proposal. Abstentions will be included in the determination of shares present and voting for purposes of determining whether a quorum exists. Broker non-votes will not be so included. Neither abstentions nor broker non-votes are counted in determining whether a proposal has been approved. Pursuant to the Voting Trust and Divestiture Agreement which is described on Page 23 of this Proxy Statement, Wisconsin United for Health Foundation, Inc. (the "Foundation") is required to vote its 31,313,390 shares of Common Stock "FOR" the nominees for directors listed on Page 4 of this Proxy Statement and "FOR" the Plan Amendment. Accordingly, those nominees will be elected as directors and the Plan Amendment will be approved at the Meeting.

The costs associated with this solicitation of proxies will be borne by the Company. Officers and other employees of the Company may solicit proxies by personal interview, telephone and facsimile, in addition to the use of the mails, but will receive no additional compensation for such activities. The Company also has made arrangements with brokerage firms, banks, nominees and other fiduciaries to forward proxy solicitation materials for shares of the Common Stock held of record by them to the beneficial owners of such shares. The Company will reimburse them for reasonable out-of-pocket expenses.

The Annual Report to Shareholders for the year ended December 31, 2001, the Notice of the Meeting, this Proxy Statement and the accompanying appointment of proxy form were first mailed to shareholders on or about April 25, 2002.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth the beneficial ownership of shares of Common Stock as of March 31, 2002 by each shareholder known to the Company to own beneficially more than five percent (5%) of the shares of Common Stock outstanding, by each director of the Company, each person nominated to be a director, each of the executive officers of the Company who appear in the Summary Compensation Table below, and all directors and executive officers of the Company as a group. Unless otherwise indicated, each shareholder listed below has sole voting and dispositive power with respect to the shares of Common Stock beneficially owned.

Name	Number of Shares Beneficially Owned(2)	Percent of Class
Wisconsin United for Health Foundation, Inc.(1)	31,313,390	77.0%
Thomas R. Hefty(3)(4)	562,163	1.4%
Stephen E. Bablitch(3)(4)	223,602	*
Timothy F. Cullen(3)(4)	172,582	*
Gail L. Hanson(4)	121,073	*
Penny J. Siewert(3)(4)	253,548	*
Richard A. Abdoo	12,426	*
Barry K. Allen	14,000	*
James L. Forbes	8,126	*
Michael S. Joyce(3)	40,100	*
D. Keith Ness, M.D.	2,000	*
William C. Rupp, M.D.	3,000	*
Janet D. Steiger	2,000	*
Kenneth M. Viste, Jr., M.D.	3,000	*
All directors and executive officers as a group (19 persons)(4)	1,737,844	4.3%

*

Amount represents less than 1% of the total shares of Common Stock issued and outstanding.

(1)

Based on the Schedule 13D filed by the Foundation with the Company pursuant to the Securities Exchange Act of 1934, as amended. The address for the Foundation is 10 East Doty Street, Madison, Wisconsin 53701.

(2)

Includes the following number of shares that may be acquired upon the exercise of options within 60 days of March 31, 2002: Mr. Hefty, 528,579; Ms. Siewert, 244,123; Mr. Bablitch, 216,991; Mr. Cullen, 167,064; Ms. Hanson, 115,050; Mr. Abdoo, 6,626; Mr. Forbes, 6,626; Mr. Allen, 4,000; Mr. Joyce, 2000; Mr. Ness, 2,000; Ms. Steiger, 2,000; Mr. Viste, 2,000; and all directors and executive officers as a group, 1,585,034.

(3)

Includes the following shares owned jointly with such person's spouse, with respect to which such person shares voting power and dispositive power: Mr. Bablitch, 4,000. Also includes the following shares owned separately by such person's spouse and/or child, with respect to which such person shares voting power and dispositive power: Mr. Hefty, 750; Mr. Cullen, 250; Ms. Siewert, 3,000; and Mr. Joyce, 200.

(4)

Includes the following shares held under the Company's 401(k) plan, as to which such person has dispositive power: Mr. Hefty, 6,584; Ms. Siewert, 5,075; Ms. Hanson, 3,023; Mr. Bablitch, 2,611; Mr. Cullen, 3,188; and all directors and executive officers as a group, 34,730.

ELECTION OF DIRECTORS

General

The Company's bylaws fix the number of directors at nine. The Board of Directors is divided into three classes, whose members each serve terms of three years (and until their successors are elected and qualified). The terms of one of the three classes expire at each annual meeting of shareholders.

Messrs. Forbes, Ness and Rupp are in the class of directors whose terms expire at the Meeting and have been nominated to serve as directors for terms expiring at the Annual Meeting of Shareholders in 2005 and until their successors are elected and qualified. The terms of Messrs. Abdoo, Allen and Joyce will expire at the Annual Meeting of Shareholders in 2003. The terms of Ms. Steiger and Messrs. Hefty and Viste will expire at the Annual Meeting of the Shareholders in 2004. There are no family relationships among any of the directors, nominees and/or executive officers of the Company.

As used in this Proxy Statement, the term "Predecessor" refers to the Company's predecessor corporation formerly named "United Wisconsin Services, Inc." and now named "American Medical Security Group, Inc."

The nominees standing for election have been approved by the Board of Directors. The Board of Directors has no reason to believe that any nominee will be unable or unwilling to serve as a director if elected. The name and age as of March 31, 2002, and certain additional information, as to each such nominee and each director serving an unexpired term are as follows:

Nominees Standing for Election at the Meeting with Terms Expiring in 2005

Name and Age	Principal Occupation During Past Five Years
James L. Forbes Age: 69	Director of the Company since 1998. Director of the Predecessor from 1991 through 1998. Director of Blue Cross & Blue Shield United of Wisconsin ("BCBSUW") from 1974 to 2001. Chairman and Chief Executive Officer and Director of Badger Meter, Inc., a manufacturer of products using flow measurement technology, since 1999; and President and Chief Executive Officer of Badger Meter, Inc. from 1987 to 1999. Director of Sensient Technologies Corporation, an ingredient manufacturer, and Journal Communications, Inc.
D. Keith Ness, M.D. Age: 53	Director of the Company since 2001. Director of BCBSUW from 1998 through 2001. Practicing family physician since 1978. Director, President and interim Chief Executive Officer of Community Physician's Network, a group of primary care physicians, since 1998. Medical Director of Heritage Manor Nursing Home since 1996.
William C. Rupp, M.D. Age: 55	Director of the Company since 1998. Director of the Predecessor from 1997 through 1998. Practicing physician in oncology since 1982. President and Chief Executive Officer of Luther/Midelfort Mayo Health System, a network of community-based healthcare providers in West-Central Wisconsin, from 1994 to 2002. President of Midelfort Clinic from 1991 through 2001.

Directors Whose Terms Continue Until 2003

Richard A. Abdoo Age: 58	Director of the Company since 1998. Director of the Predecessor from 1991 through 1998. President and Chief Executive Officer of Wisconsin Energy Corporation, a diversified energy services holding company, since May 1991. Chairman of the Board and Chief Executive Officer of Wisconsin Electric Power Company, a utility company, since 1990. Director of Wisconsin Energy Corporation, a diversified energy services holding company, since 1988. Director of Wisconsin Electric Power Company since 1989. Director of Marshall & Ilsley Corporation, a bank holding company; Sensient Technologies Corporation, an ingredient manufacturer; and AK Steel Holding Corporation, a steel manufacturer.
Barry K. Allen Age: 53	Director of the Company since 2000. President of Allen Enterprises, LLC, a private equity investment and management company, since August 2000. President of Ameritech Corporation, a telecommunica-tions company, from October 1999 to 2000; Executive Vice President of Ameritech from 1997 to 1999; and Senior Vice President of Ameritech from 1995 to 1997. Director of Harley-Davidson Inc.; Fiduciary Management, Inc., an investment advisory firm; First Business Bank-Milwaukee; and CMGI, Inc., an internet operating and development company.
Michael S. Joyce Age: 59	Director of the Company since 2001. Director of BCBSUW from 1996 through 2001. President and Chief Executive Officer of the Foundation for Community and Faith-Centered Enterprise, a charitable foundation, since October 2001. President and Chief Executive Officer of Americans for Community and Faith-Centered Enterprise from June 2001 to October 2001. President and Chief Executive Officer of the Lynde and Harry Bradley Foundation, a charitable foundation, from 1986 to 2001.

Directors Whose Terms Continue Until 2004

Thomas R. Hefty Age: 54	Director of the Company since 1998. Director of the Predecessor from 1983 through 1998. Chairman of the Board, President and Chief Executive Officer of the Company since 1998. President of the Predecessor from 1986 through 1998 and Chairman of the Board and Chief Executive Officer of the Predecessor from 1991 through 1998. Chairman of the Board of BCBSUW since 1988; President and Director of BCBSUW since 1986. Director of Artisan Funds, Inc., an investment company registered under the Investment Company Act of 1940, as amended, and American Medical Security Group, Inc.

Janet D. Steiger Age: 62	Director of the Company since 2001. Director of BCBSUW from 1998 through 2001. Member of the United States Federal Trade Commission from 1989 to 1997; Chairman of the Federal Trade Commission from 1989 to 1995.
Kenneth M. Viste, Jr., M.D. Age: 60	Director of the Company since 2001. Director of BCBSUW from 1992 through 2001. Practicing physician in neurology since 1974. Principal of Lakeside Neurocare, Limited, an independent medical office. Director of the Physical Rehabilitation Unit of Mercy Medical Center, Oshkosh, Wisconsin, since 1974, and of the Physical Rehabilitation Unit of St. Agnes Hospital, Fond du Lac, Wisconsin, since 1983. Clinical Professor of Neurology at the University of Wisconsin Medical School since 1995.

The affirmative vote of a plurality of the votes cast is required for the election of directors. Unless otherwise specified, the shares of Common Stock represented by proxies returned to the Company will be voted in favor of the election of the above-described nominees. If, at o prior to their election, any one or more of the nominees is unwilling or unable to serve, the proxies shall have discretionary authority to select and/or vote for substituted nominees. Pursuant to the Voting Trust and Divestiture Agreement which is described on Page 23 of this Proxy Statement, the Foundation is required to vote its 31,313,390 shares of Common Stock "FOR" the nominees for directors listed on Page 4 of thi Proxy Statement. Accordingly, those nominees will be elected as directors at the Meeting.

THE BOARD OF DIRECTORS RECOMMENDS YOU VOTE FOR THE NOMINEES FOR DIRECTOR.

Meetings of the Board of Directors and Committees of the Board of Directors

In 2001, the Board of Directors held five meetings. During 2001, each director attended at least 75% of the aggregate number of meetings of the Board of Directors and of the committees of the Board of Directors held during his or her tenure as a Board or committee member. The Board of Directors has standing Executive, Finance, Management Review, Nominating and Audit Committees.

The Executive Committee discharges certain responsibilities of the Board of Directors when so instructed by the Board and studies proposals and makes recommendations to the Board. Specifically, the Executive Committee has the authority to approve long range corporate and strategic plans, advise and consult with management on corporate policies, approve the annual operating plan and approve major changes in policy affecting new services and programs. The Executive Committee held two meetings during 2001. The members of the Executive Committee are Messrs. Hefty (Chairman), Allen, Forbes, Joyce, and Rupp.

The Finance Committee approves investment policies and plans and approves the investment of funds of the Company, consults with management regarding real estate, accounts receivable and other assets, determines the amounts and types of insurance carried by the Company, advises and consults with management regarding selection of insurance carriers and corporate tax policies and discharges certain other responsibilities of the Board of Directors when so instructed by the Board. The Finance Committee held four meetings during 2001. The members of the Finance Committee are Messrs. Rupp (Chairman), Hefty, Ness, and Viste.

The Management Review Committee evaluates the performance of the Company's executive officers, approves executive officer development programs, determines the compensation of the executive officers and reviews management's recommendations as to the compensation of other key

personnel, makes recommendations to the Board of Directors regarding the types, methods and levels of director compensation, administers the compensation plans for the officers, directors and key employees, and discharges certain other responsibilities of the Board of Directors when so instructed by the Board. The Management Review Committee held four meetings during 2001. The members of the Management Review Committee are Messrs. Forbes (Chairman), Allen, Joyce, and Ms. Steiger.

The Nominating Committee makes recommendations to the Board of Directors prior to the annual shareholders' meeting each year for nominees for election to the Board within the provisions set forth in the corporate bylaws, recommends to the Board of Directors prior to the annual Board meeting nominees for election as corporate officers and Chairman of the Board (Chief Executive Officer); and discharges certain other responsibilities of the Board of Directors when so instructed by the Board. The Nominating Committee will consider a nominee for election to the Board of Directors recommended by a shareholder if the shareholder submits the nomination in compliance with the requirements of the Company's bylaws relating to nominations by shareholders. The Nominating Committee held one meeting during 2001. The members of the Nominating Committee are Messrs. Joyce (Chairman), Abdoo, and Viste.

The Audit Committee reviews the scope and timing of the audit of the Company's financial statements and reviews with the Company's independent public accountants and the Company's management its policies and procedures with respect to auditing and accounting controls. In May 2000, the Audit Committee adopted a charter and reaffirmed the charter in May 2001. The Audit Committee also reviews with the independent public accountants the audited financial statements for the Company and the auditors' reports and management letters. In addition, it reviews and evaluates conflict of interest statements and discharges certain other responsibilities of the Board of Directors when so instructed by the Board. The Audit Committee held four meetings during 2001. The members of the Audit Committee, all of whom are "independent" directors as that term is defined in applicable rules adopted by the New York Stock Exchange, are Messrs. Allen (Chairman), Abdoo, Forbes, and Ms. Steiger.

Nominations for Directors by Shareholders

The Board of Directors will consider a nominee for election to the Board recommended by a shareholder if the shareholder submits the nomination in compliance with the requirements of the Company's bylaws relating to nominations by shareholders. Only "Qualified Candidates," as such term is defined in the bylaws, may be elected to the Board of Directors. Article III, Section 3.04 of the Company's bylaws provides that if a shareholder desires to make a nomination for the election of directors at an annual meeting, then he or she must give timely written notice of the nomination to the Secretary of the Company. Notice is timely if received by the Secretary at the Company's principal office not less than 90 days nor more than 120 days prior to the first anniversary of the preceding year's annual meeting. The notice must set forth certain information required by the bylaws, including (i) the name of the person such shareholder proposes to nominate for election or reelection as a director and all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act"); (ii) each nominee's written consent to being named in the proxy statement as a nominee and to serving as a director if elected; (iii) the name and address of the shareholder giving the notice; and (iv) certain other information. Article III, Section 3.04 of the bylaws provides that notices with respect to any nomination for a Board election to be held at any special meeting must contain all the information set forth above and must be received by the Secretary of the Company not later than ten days after notice of such meeting is first given to shareholders. Shareholders wishing to submit a nomination should review the bylaw requirements regarding nominations by shareholders and should communicate with

the Secretary, Cobalt Corporation, 401 West Michigan Street, Milwaukee, Wisconsin 53203, for further information.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires the Company's officers and directors and persons owning in excess of ten percent of the shares of the Common Stock outstanding to file reports of ownership and changes in ownership with the Securities and Exchange Commission ("SEC") and the exchange on which the Common Stock is traded. Officers, directors and ten percent shareholders are also required to furnish the Company with copies of all Section 16(a) forms they file.

Based upon a review of the information furnished to the Company, the Company believes that during the fiscal year ended December 31, 2001, its officers, directors, BCBSUW and the Foundation complied with all applicable Section 16(a) filing requirements, except that (i) Mr. Cullen inadvertently did not indicate on his Form 5 filed on February 14, 2002 (which Form 5 was subsequently amended), that he had gifted 200 shares of Common Stock during the fiscal year; and (ii) Ms. Mary Traver inadvertently did not timely file a Form 5 with respect to the grant of options to purchase 33,565 shares of Common Stock issued to her upon cancellation of certain stock appreciation rights. Certain directors were granted options to purchase 6,000 shares of Common Stock in 2001. Ms. Janet Steiger did not elect to receive such options until February 27, 2002, and the Form 5 with respect to such grant of options was not filed until March 21, 2002.

AUDIT COMMITTEE REPORT

The primary responsibility of the Audit Committee is to oversee the Company's financial reporting process on behalf of and to report the results of its activities to the Board of Directors. Management has the primary responsibility for preparing the Company's financial statements and the reporting process, including the systems of internal controls. The Audit Committee has reviewed and discussed the audited financial statements with management and has discussed with the Company's internal and external auditors the overall scope and other aspects of their respective audits. This included a discussion of the quality, not just the acceptability, of the accounting principles applied, and the reasonableness of significant judgments and the clarity of disclosures in the financial statements.

The Company's independent auditors are responsible for expressing an opinion on the conformity of the audited financial statements with generally accepted accounting principles. The Audit Committee has discussed with the independent auditors the judgments of the independent auditors as to the quality, not just the acceptability, of the Company's accounting principles and such other matters that the independent auditors are required to discuss with the Audit Committee under generally accepted auditing standards, including Statement on Auditing Standards No. 61, as amended, "Communication with Audit Committees." In addition, the Audit Committee has discussed with the independent auditors the independence of the auditors from management and the Company, including the matters in the written disclosures and the letter from the independent auditors required by the Independence Standards Board Standard No. 1, "Independence Discussions with Audit Committees." The Audit Committee considered the compatibility of nonaudit services with the auditors' independence.

The Audit Committee met with the independent auditors, with and without management present, to discuss the results of their examinations, their evaluations of the Company's internal controls and the overall quality of the Company's financial reporting. The Audit Committee also met with the internal auditor to discuss the results of internal audit examinations.

Based upon the Audit Committee's reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Annual Report on Form 10-K for the year ended December 31, 2001, for filing with the

Securities and Exchange Commission. The Audit Committee has also recommended to the Board the selection of Ernst & Young LLP ("Ernst & Young") as the Company's independent auditors for 2002.

The Audit Committee approved, at its March 22, 2002 meeting, the following policies related to the Company's interactions with its independent auditors:

- ***Audit Team Rotation.*** The audit engagement partner and senior manager will rotate every five years, on a staggered basis. After a two-year hiatus, the partner or senior manager can rotate back onto the Company's audit. The current audit firm will be provided a two year transition period to comply with this policy.

- ***Non-Audit Services.*** 1) The Audit Committee will pre-approve non-audit services of $50,000 and greater to be performed by the Company's independent auditors; 2) the Company's independent audit firm will generally not be engaged to perform internal audit services; and 3) the Company's subsidiary, United Government Services, a large Part A Medicare contractor, will not engage the independent audit firm to provide any consulting services.

- ***Hiring Audit Firm Personnel.*** An audit engagement member will not be hired at a level of vice president or above within one year of being on the Company's audit.

These policies were proposed as amendments to the Audit Committee Charter. These amendments will be submitted to the Board of Directors for approval at its May 2002 meeting.

AUDIT COMMITTEE
Barry K. Allen, Chairman
Richard A. Abdoo
James L. Forbes
Janet D. Steiger

APPROVAL OF AMENDMENTS TO COBALT CORPORATION EQUITY INCENTIVE PLAN

General

The Board of Directors has approved, subject to shareholder approval, amendments to the Plan to (i) increase from 4,500,000 to 8,700,000 the number of shares of Common Stock available for grant thereunder, and (ii) provide for an automatic annual grant of options to purchase 1,000 shares of Common Stock to each of the Company's non-employee directors.

The increase in the number of shares of Common Stock available for grant from 4,500,000 to 8,700,000 is necessary to allow for the continued grant of options under the Plan to active employees of the Company and its subsidiaries and affiliates. Currently, options with respect to 6,049,424 shares have been issued with 1,643,413 shares being forfeited and available for regranting pursuant to the Plan. As a result, approximately 93,989 shares are currently available for grant under the Plan. After the increase in the number of shares authorized under the Plan, approximately 4,293,989 options would be available for future grants thereunder.

The amendment to the Plan to provide for an automatic annual grant of options to purchase 1,000 shares of Common Stock to each of the Company's non-employee directors is desired as part of a new director compensation policy effective in fiscal 2002 designed primarily to provide Cobalt directors with compensation for their services on the Board that is more equivalent to compensation received by directors of similar companies in the Company's industry.

Summary

The following is a summary of the basic terms and provisions of the Plan.

Purpose. The purpose of the Plan is to promote the success and enhance the value of the Company by linking the personal interests of its key employees and non-employee directors with an incentive for outstanding performance. The Plan further is intended to provide flexibility to the Company in its ability to motivate, attract and retain the services of these individuals upon whose judgement, interest and special effort the successful conduct of its operation is dependent.

Administration. The Plan is administered by the Management Review Committee (the "Committee") of the Board of Directors, consisting of not less than two directors, each of which is a non-employee director of the Company. The Committee is authorized to determine, among other things, the size and types of awards under the Plan, the employees and non-employee directors to whom they will be granted and the terms and conditions of such awards. The Committee also has the power to interpret the Plan and agreements thereunder, to establish, amend or waive rules for administration of the Plan and to make other determinations necessary or advisable for administration of the Plan.

Number of Shares Available. The Plan currently provides that the total number of shares of Common Stock available for grant thereunder may not exceed 4,500,000, subject to adjustment as described therein. Upon approval of the Plan Amendment, the number of shares available for grant will be increased to 8,700,000. All awards which are forfeited by an employee or non-employee director of the Company shall be returned to the Company and once again become available for grant under the Plan.

Awards and Eligibility. The Plan permits the grant to full-time employees of the Company and its subsidiaries and affiliates of Incentive Stock Options ("ISOs"), Nonqualified Stock Options ("NQSOs"), Stock Appreciation Rights ("SARs"), Restricted Stock, Performance Units and Performance Shares (all as defined in the Plan). Currently, non-employee directors are also entitled to receive grants of NQSOs to purchase 6,000 shares of Common Stock upon their election to the Board of Directors. Upon approval of the Plan Amendment, non-employee directors will also receive annual grants of NQSOs to purchase 1,000 shares of Common Stock.

Options. ISOs and NQSOs may be granted to employees as determined by the Committee, except that no employee may receive options (other than Substituted Awards, described below) with respect to more than 250,000 shares in any year.

All NQSOs granted to non-employee directors shall vest at the rate of one-third of the aggregate amount of each grant annually, subject to acceleration if a non-employee director's tenure ends during the three-year period due to death, disability or retirement or following a Change in Control (as defined in the Plan). NQSOs granted to non-employee directors remain exercisable for the shorter of twelve years from the date of grant or two years following the date on which the non-employee director ceases to serve as such (for any reason other than removal for Cause, as defined in the Plan).

The option price per share for all options granted under the Plan shall not be less than the fair market value of a share of Common Stock on the date the option is granted. The terms of options granted under the Plan will be determined by the Committee, provided that such terms shall not exceed ten years (in the case of ISOs) or twelve years (in the case of NQSOs). Options are not exercisable in any event prior to six months following the date of grant. The exercise price of any option granted under the Plan is payable by payment in full of the exercise price in cash or by tendering shares of Common Stock having a fair market value equal to the exercise price or any other method the Committee deems consistent with the purpose of the Plan and applicable law.

The Committee may also issue Substituted Awards to directors and employees. "Substituted Awards" are options issued under the Plan in substitution for awards issued under another equity incentive plan (including, but not limited to, the equity incentive plan of the corporation formerly known as United Wisconsin Services, Inc. and the 1995 Directors' Stock Option Plan of United

Wisconsin Services, Inc.). Substituted Awards are subject to the same grant date, exercise price, vesting and exercise period that the original awards for which they were substituted were subject.

Stock Appreciation Rights. SARs may be granted to employees in such amounts as the Committee shall determine subject to the terms and conditions of the Plan. SARs shall have a grant price at least equal to 100% of the fair market value of a share of Common Stock if granted independently of any stock option, or equal to the option price of the related stock option if granted in connection with a stock option. The term of an SAR granted pursuant to the Plan shall not exceed twelve years. SARs are not exercisable in any event prior to six months following the date of grant.

Restricted Stock. Restricted Stock may be granted to employees in such amounts as the Committee shall determine subject to the terms and provisions of the Plan. Restricted Stock generally may not be sold or otherwise transferred for a certain period (based on the passage of time, the achievement of performance goals or the occurrence of other events as determined by the Committee). During that period, however, employees holding shares of Restricted Stock may exercise full voting rights and shall be entitled to receive all dividends and other distributions with respect to shares of Restricted Stock. Restricted Stock shall not vest in any event prior to six months following the date of grant.

Performance Units and Performance Shares. The Committee may grant Performance Units and/or Performance Shares to employees subject to the terms and conditions of the Plan. The number and/or value of Performance Units or Performance Shares that will be paid to employees shall be based on the extent to which performance goals, as determined by the Committee, have been met. The performance goals must be determined over a period of at least six months. At the time of grant, each Performance Unit must have an initial value established by the Committee and each Performance Share shall have an initial value equal to the fair market value of a share of Common Stock on the date of grant. The Committee, in its discretion, may pay earned Performance Shares or Performance Units in the form of cash or shares of Common Stock or a combination thereof.

Termination of Employment. Generally speaking, awards under the Plan (except for Performance Shares and Performance Units) shall immediately vest and/or be exercisable upon the occurrence of death or disability (with respect to Performance Shares and/or Performance Units. in the event of death, disability or involuntary termination without Cause, the holder thereof would receive a prorated payout of such Performance Shares and/or Performance Units). Subject to the terms of the Plan, awards that have vested prior to termination of employment for any reason other than death, disability, retirement or termination for Cause may be exercised with six months after such termination of employment. Awards that have not so vested upon termination would be forfeited, although the Company, in its discretion, shall have the right to immediately vest (with respect to ISOs, NQSOs and SARs), or remove applicable restrictions on (with respect to Restricted Stock), any or all such awards subject to terms deemed appropriate by the Committee. The Committee retains discretion over the treatment of awards in the event of termination by reason of retirement. In the case of termination for Cause, all awards would be forfeited, regardless of whether or not vested at the time of such termination.

Limitations on Transferability. ISOs, Performance Units, Performance Shares and SARs may not be assigned, sold, transferred or otherwise alienated or encumbered by any employee other than by will or the laws of descent and distribution. NQSOs shall be transferable only pursuant to the laws of descent and distribution and to certain permissible transferees to the extent permitted under applicable law, except that the Committee may, in its discretion, allow transfer of NQSOs to other than permissible transferees on a case-by-case basis. Shares of Restricted Stock may not be assigned, sold, transferred or otherwise alienated or encumbered until the applicable restrictions have lapsed or upon earlier satisfaction of any other conditions, as determined by the Committee. Except as otherwise provided by the Committee, each award granted under the Plan shall be exercisable during the

recipient's lifetime only by the recipient of the grant or, if permissible under applicable law, by the recipient's legal representative.

Change in Control. Upon the occurrence of the Change in Control (as defined in the Plan), (i) all options and SARs granted under the Plan will become immediately exercisable; (ii) any restrictions imposed on Restricted Shares will lapse; (iii) the target value attainable under all Performance Units and Performance Shares will be deemed to have been fully earned; and (iv) the Committee will have authority, subject to the Plan provisions regarding amendment of the Plan, to make any modifications to awards as determined by the Committee to be appropriate before the effective date of the Change in Control.

Amendment. The Committee may terminate, amend or modify the Plan with the approval of the Board of Directors; however, no termination, amendment or modification shall adversely affect in any material way any award previously granted under the Plan without the written consent of the Participant holding such award.

Certain Federal Income Tax Consequences.

The following is a general summary of some of the current federal income tax consequences of the Plan to the Company and to employees and non-employee directors receiving awards under the Plan. Tax laws often change and actual tax consequences vary with individual circumstances. We recommend all employees and non-employee directors to seek tax advice from their own tax advisors regarding the Plan.

An employee will generally not be deemed to have received taxable income upon the grant or exercise of any ISO, provided that such shares of Common Stock received upon exercise are held for at least one year after the date of exercise and two years after the date of grant. Following exercise, any gain (or loss) realized on the disposition of the shares will be treated as long-term capital gain (or loss), and no deduction will be allowed to the Company. If the holding period requirements are not satisfied, then the participant will recognize ordinary income at the time of the disposition equal to the lesser of (i) the gain realized on the disposition or (ii) the difference between the option price and the fair market value of the share of Common Stock on the date of exercise. Any additional gain will be a long-term or short-term capital gain, depending upon the length of time the shares were held. The Company is entitled to a tax deduction equal to the amount of ordinary income recognized by the Participant.

The grant of a NQSO will not result in any taxable income to an employee or director recipient. An employee or director will recognize ordinary income upon exercise of a NQSO in an amount equal to the excess of the fair market value of the shares of Common Stock at the time the income is recognized over the exercise price. The Company is entitled to a tax deduction in the same amount at the time the Participant or director recipient recognizes ordinary income.

The grant of a SAR will create no income tax effect for the Company or the employee. An employee will recognize ordinary income upon exercise of an SAR in an amount equal to the fair market value of the cash or shares of Common Stock received. The Company will generally be entitled to a deduction in the same amount and at the same time income is recognized by the employee.

An employee will not recognize income upon the grant of Restricted Stock unless the employee makes the election described below. If the employee does not make such an election, the employee will recognize ordinary income at the time the applicable restrictions lapse in the amount of the fair market value of the Restricted Stock at that time less any amount paid for the Restricted Stock. An employee may, within thirty days after receiving an award of Restricted Stock, elect to immediately recognize ordinary income as of the award date in the amount of the fair market value less any amount paid for

the Restricted Stock. The Company will generally be entitled to a deduction in the same amount and at the same time income is recognized by the employee.

The grant of Performance Shares and/or Performance Units will create no income tax effect for the Company or the employee. An employee will generally recognize ordinary income upon receipt of cash or shares of Common Stock in an amount equal to the fair market value of the cash or shares of Common Stock received. The Company will generally be entitled to a deduction in the same amount and at the same time income is recognized by the employee.

Any cash payments an executive officer receives in connection with incentive awards are includable in income in the year received. Generally, the Company will be entitled to deduct the amount the employee includes in income in the year of payment.

Section 162(m) of the Internal Revenue Code places a $1,000,000 annual limit on the compensation deductible by the Company paid to certain of its executives. The limit, however, does not apply to "qualified performance-based compensation." The Company believes awards of stock options and annual incentive awards under the Plan as amended will qualify for the performance-based compensation exception to the deductibility limit.

The affirmative vote of a majority of the votes cast at the Meeting on the Plan Amendment (assuming a quorum is present) is required to approve the Plan Amendment, provided that a majority of the outstanding shares of Common Stock are voted on the proposal. For purposes of determining the vote required for this proposal, abstentions and broker nonvotes will have no impact on the vote. The proxies will be voted for or against the proposal, or as an abstention, in accordance with the instructions specified on the proxy form. If no instructions are given, proxie will be voted FOR approval of the Plan Amendment. Pursuant to the Voting Trust and Divestiture Agreement which is described on Page 23 o this Proxy Statement, the Foundation is required to vote its 31,313,390 shares of Common Stock "FOR" the Plan Amendment. Accordingly, th Plan Amendment will be approved at the Meeting.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE PROPOSAL TO AMEND THE PLAN.

EXECUTIVE COMPENSATION

Prior to the Combination (as defined in "CERTAIN TRANSACTIONS"), certain executive officers of the Company provided services to BCBSUW pursuant to the Service Agreement (as herein described), and expenses associated with those services are shared in accordance with the Service Agreement. See "CERTAIN TRANSACTIONS." Compensation information includes total compensation for services rendered to the Company and BCBSUW. The following table summarizes the total compensation paid by the Company or its subsidiaries to the Chief Executive Officer and the four other most highly compensated officers for services rendered to the Company and BCBSUW for the years ended December 31, 2001, 2000 and 1999.

Summary Compensation Table

		Annual Compensation			Long-Term Compensation	
Name and Principal Position	Year	Salary(1)	Bonus(1,2)	Other Annual Compensation(3)	Securities Underlying Options	All Other Compensation(4)
Thomas R. Hefty	2001	$ 677,505	$ 223,712	$ 13,577	—$	4,2
Chairman of the	2000	617,508	—	12,735	147,500	4,2
Board, President &	1999	577,506	—	28,887	147,500	4,0
Chief Executive Officer						
Stephen E. Bablitch	2001	303,603	127,935	1,271	—	4,2
Senior Vice President &	2000	260,826	—	4,327	121,000	4,2
General Counsel	1999	214,761	—	11,678	41,000	4,0
Timothy F. Cullen	2001	263,535	77,259	4,885	—	4,2
Vice President—	2000	246,753	—	4,327	121,200	4,2
BCBSUW, Chairman	1999	217,971	—	10,815	23,000	4,0
of the Board—UGS						
Gail L. Hanson	2001	265,602	71,613	4,923	—	4,2
Senior Vice President &	2000	248,256	—	4,327	121,200	4,2
Chief Financial Officer	1999	170,070	—	4,036	18,000	4,0
Penny J. Siewert	2001	254,004	56,515	6,051	—	4,2
Senior Vice President of	2000	249,630	—	5,726	121,200	4,2
Regional Services	1999	229,077	—	12,425	49,200	4,0

(1)
Amounts include compensation earned and deferred at the election of the named executive officer during the fiscal years indicated and paid subsequent to the end of each fiscal year.

(2)
Amounts represent bonuses earned under the Company's Profit Sharing Plan and Management Incentive Plan, as well as special bonuses. In connection with the Combination, special bonuses were awarded to the following: Mr. Bablitch—$50,000, Mr. Cullen—$25,000, and Ms. Hanson—$25,000.

(3)
Amounts represent reimbursement for the payment of taxes, the payout for unused personal days and a lump sum payment for deferring a merit increase. The amounts indicated do not include perquisites or other personal benefits to the named executive officers which for each such officer did not exceed the lesser of $50,000 or 10% of the officer's total annual salary and bonus.

(4)
Amounts represent the Company's matching contributions to the Cobalt Corporation 401(k) Plan.

Options Granted in Last Fiscal Year

The Final Decision and Order of the Wisconsin Commissioner of Insurance with respect to the Combination prohibited equity compensation for existing officers of BCBSUW and Cobalt until after March 23, 2002; therefore, no stock option grants were made during 2001 to the Chief Executive Officer or the other named executive officers.

Aggregated Option Exercises in the Last Fiscal Year and Fiscal Year End Option Values

No options were exercised by any of the executive officers listed in the Summary Compensation Table during 2001. The number of unexercised options and the total value of unexercised in-the-money options at December 31, 2001 are shown in the following table.

Name	Number of Securities Underlying Unexercised Options/SARs at FY-End (#) Exercisable/Unexercisable(1)	Value of Unexercised In-the-Money Options/SARs at FY-End ($) Exercisable/Unexercisable
Thomas R. Hefty	446,079/233,925	208,761/228,717
Stephen E. Bablitch	165,399/131,192	62,645/187,936
Timothy F. Cullen	145,933/119,431	62,645/187,936
Gail L. Hanson	80,250/109,550	62,645/187,936
Penny J. Siewert	187,721/138,052	62,645/187,936

(1)
Options become immediately exercisable upon change in control of Cobalt. A change in control includes: the acquisition by certain persons or groups of 25% or more of the outstanding Common Stock; a change in the membership of a majority of the Board of Directors, if not approved by the incumbent directors; or the approval by the Company's shareholders of a plan of liquidation, an agreement to sell substantially all of Cobalt's assets, or certain mergers, consolidations or reorganizations. The Combination was not considered a change in control.

(2)
The dollar value is calculated by determining the difference between the fair market value of the underlying Common Stock at the fiscal year end ($6.38) and the exercise price of the option.

Defined Benefit Pension Plans

The Company has provided a non-contributory defined benefit plan to its employees pursuant to its pension plan ("Pension Plan"). The Pension Plan generally utilizes a cash balance formula which provides annual pay credits of 4% plus transition credits of 4% for the number o years of service on December 31, 1996 (up to 15 years). Interest is calculated monthly and credited annually on the cash balance account base on the yield on 10-year Treasury securities for the month of October of the previous year.

In addition, the Company provides to executives defined benefits from its supplemental executive retirement plan ("SERP"). The SERP provides a total benefit (taking into account Pension Plan benefits and Social Security benefits) of 2% of final 5-year average pay (which includes base salary, profit sharing and management incentive bonuses, and other performance-related bonuses) per year of

service, up to 30 years. The approximate annual benefits for the following pay classifications and years of service are expected to be as follows.

Defined Benefit Pension Plans Table

Remuneration	Years of Service				
	15	20	25	30 or more
$ 100,000	$ 30,000	$ 40,000	$ 50,000	$ 60,000
200,000	60,000	80,000	100,000	120,000
300,000	90,000	120,000	150,000	180,000
400,000	120,000	160,000	200,000	240,000
500,000	150,000	200,000	250,000	300,000
600,000	180,000	240,000	300,000	360,000
700,000	210,000	280,000	350,000	420,000
800,000	240,000	320,000	400,000	480,000
900,000	270,000	360,000	450,000	540,000
1,000,000	300,000	400,000	500,000	600,000
1,100,000	330,000	440,000	550,000	660,000

The persons named in the Summary Compensation Table have the following years of credited service which includes all years of service with the Predecessor: Mr. Hefty, nineteen years; Mr. Bablitch, five years; Ms. Siewert, twenty-five years; Ms. Hanson, seventeen years; and Mr. Cullen, thirteen years.

Agreements with Named Executive Officers

Cobalt is party to Executive Severance Agreements with each of the named executive officers. The agreements extend for three year term and then automatically renew for successive one year periods unless Cobalt gives notice at least six months prior to the end of any such period that the agreement will not be extended. However, if a Change in Control (as defined therein) occurs during the term, then the agreements will remain in effect for the longer of 24 months beyond the month in which the Change in Control occurs or until all obligations of Cobalt under the agreements have been fulfilled.

The agreements generally provide that a named executive is entitled to receive certain severance benefits if his or her employment is terminated by Cobalt for any reason other than Cause, Disability, Retirement (all as defined therein) or death, or if the named executive terminates his or her employment for Good Reason (as defined therein), in either case during the six month period prior to a Change in Contr or within 24 months following a Change in Control. The severance benefits to which the named executives would be entitled following such t termination include, generally speaking, (i) an amount equal to two times their respective annualized base salaries (three years in the case of Mr. Hefty) as in effect on the date of termination; (ii) an amount equal to two times their respective target awards under the annual bonus plar and profit sharing plan (three times in the case of Mr. Hefty) for the year in which the termination occurs; (iii) a continuation of health care, li and disability coverage for two years after the date of termination (three times in the case of Mr. Hefty); (iv) an amount equal to their respecti unpaid targeted annual bonuses for the plan year in which the termination occurs, prorated through the date of termination; and (v) an amount equal to their unpaid allocations from the profit sharing plan for the plan year in which the termination occurs, prorated through the date of termination. The named executives would also be eligible for benefits under Cobalt's Retiree Medical Plan beginning at age 55. Cobalt will al pay the named executives additional amounts in cash, if necessary, such that the net amount retained by them after deduction of any excise ta imposed by the Internal Revenue Code of 1986, as amended will equal the total amount that they would have been entitled to without taking such deductions into account; provided, however, that for

all named executives other than Mr. Hefty, such additional payments will only be made if they would result in the named executive receiving additional amounts in excess of $100,000. If such payments would result in those named executives receiving additional amounts less than $100,000, then the total severance benefits to which they will be entitled under the agreements will be capped at the maximum amounts that may be paid without incurring such excise taxes.

Cobalt is also party to a Supplemental Retirement Agreement, dated as of June 13, 2001, with Thomas R. Hefty. The agreement provides that Cobalt will pay Mr. Hefty (or his beneficiary or estate) a lump sum cash payment of $1,000,000 upon the earlier of Mr. Hefty's Retirement, death, Disability, termination by Cobalt for any reason other than Cause, or termination by Mr. Hefty for Good Reason (as such terms are defined in Mr. Hefty's Executive Severance Agreement, discussed above).

Compensation of Directors

Directors who are officers or employees of Cobalt receive no compensation as such for service as members of the Board of Directors or committees of the Board. In 2001, a director who was not an officer or employee of Cobalt received a fee of $1,100 for each Board or committee meeting attended, and a monthly retainer of $1,917. In addition, each Committee Chairman received a monthly fee of $250. Also, pursuant to the Plan, each director is granted in connection with his or her first election as a director an option to purchase 6,000 shares of Common Stock at an exercise price equal to the fair market value of the Common Stock on the date of grant. Effective April 1, 2002, a director who is not an officer or employee of Cobalt will receive a fee of $1,500 for each Board or committee meeting attended, in addition to the monthly retainer of $1,917. Effective April 1, 2002, each Committee Chairman will receive a monthly fee of $333.33. If the Plan Amendment is approved at the meeting, each of the Company's non-employee Directors will receive an annual option grant of 1,000 shares of Common Stock at an exercise price equal to the fair market value on the date of grant.

MANAGEMENT REVIEW COMMITTEE REPORT ON EXECUTIVE COMPENSATION

Introduction

The Committee, which is comprised of four independent, non-employee directors, establishes and directs the administration of all programs under which executive benefits are provided and compensation is paid or awarded to the Company's executive officers. In addition, the Committee evaluates executive officer performance and assesses the overall effectiveness of the Company's executive compensation programs.

Compensation Philosophy and Objectives

The Company's executive compensation program is designed to align closely executive compensation with corporate performance and total return to shareholders. The Company has developed an overall compensation philosophy and implemented plans that are designed to tie a significant portion of executive compensation to the Company's success in meeting specified performance goals and appreciation in the Common Stock price.

The overall objectives of this compensation philosophy are:

- To attract and retain the executive talent required to attain the Company's goals;
- To motivate these executives to achieve the goals of the Company's current and future business strategy;
- To link executive and shareholder financial interests through equity-based long-term incentive plans; and

To provide a compensation package that recognizes individual contributions and overall business results.

Accordingly, the Committee sets compensation opportunities at approximately the 50 th percentile of the market for comparable positions a comparable companies. The Company's compensation programs are designed to be dependent on performance, and individual pay delivered from these programs may be higher or lower than the 50 th percentile of the market depending on that performance.

Each year the Committee conducts a full review of the Company's executive compensation program to ensure that pay opportunities are competitive with the current market and that there is appropriate linkage between Company performance and executive compensation. During 2001, this process included consultation with Hewitt Associates ("Hewitt") throughout the year on such issues as base salaries, annual incentives, stock option awards, and overall compensation. The Committee's review included a comparison of the Company's executive compensation against a peer group with which the Company competes for business and executive talent. The Committee believes that the Company's competitors for executive talent include many types of companies. Therefore, the Committee evaluates all relevant sources for executive talent in assessing overall competitiveness. Consequently, the peer group used for compensation analysis will include, but extend beyond, the companies noted in the Performance Graph included in this Proxy Statement.

Elements of Executive Compensation

The elements of executive compensation include base salary, profit sharing, an annual performance-based management incentive plan and long-term incentives (consisting primarily of nonqualified Common Stock options). The Committee's decisions with respect to each of these elements are discussed below. While the elements of compensation described in this report are considered separately, the Committee takes int account the full compensation package afforded by the Company to the individual, including salary, incentive compensation, pension benefits, supplemental retirement benefits, insurance and other benefits. In reviewing the individual performance of the executives whose compensatior is detailed in this Proxy Statement, the Committee takes into account the views of Mr. Hefty, the Company's Chief Executive Officer, for positions other than his own.

Section 162(m) of the Internal Revenue Code of 1986, as amended, limits a publicly held corporation's deductions for certain executive compensation in excess of $1 million. Certain performance-based compensation is excepted from the $1 million limitation. In 2001, none of tl Company's executives received compensation in excess of $1 million for purposes of Section 162(m) and all 2001 executive compensation is fully deductible. The Committee has, however, reviewed Section 162(m) and considered its impact on the Company's future executive compensation plans.

Base Salary

Base salaries for executive officers are determined initially by evaluating and comparing the responsibilities of their positions and experiences relative to the competitive marketplace for executive talent. Salary adjustments are determined by evaluating the performance of the Company and of each executive and by surveying the industry to determine the average industry change in executive base salary. In the case of executives with responsibility for a particular business unit, such unit's financial results were also a major consideration. The Committee, where appropriate, considers non-financial performance measures such as increase in market share, gains in administrative cost efficiency, improvements in product quality, and improvements in relations with customers, suppliers, and employees.

Annual Incentive Compensation

Profit Sharing Program. The Company annually establishes a Profit Sharing Plan for all employees who are employed with the Company for the entire calendar year. The Cobalt Corporation 2001 Profit Sharing Plan (the "Profit Sharing Plan") compensated employees based on corporate profitability, individual business unit or regional area profitability and the attainment of high levels of customer satisfactio all measured against targets set at the beginning of the year.

Under the corporate profitability goal, the Profit Sharing Plan pays each employee up to 7% of base salary depending on the attainment of specified profit levels. For employees to receive the 7% payout in 2001, the Company and BCBSUW had to attain combined net income, excluding net income or loss from extraordinary items, of $43.1 million or more. If a specified minimum level of profitability had not been attained, no awards would have been made under any portion of the Profit Sharing Plan.

Individual business unit or regional area financial performance also was measured under the "Local Component" of the Plan, with employees eligible to receive an additional payout of up to 7% of compensation on the "Local Component." The Profit Sharing Plan also contained a customer satisfaction component which enabled employees to earn up to an additional 7% of annual compensation for achievemen of high customer satisfaction levels, generally in excess of 94.9%. In total, the Profit Sharing Plan paid the Chief Executive Officer and the next four most highly compensated officers between 4.70% and 5.92% of annual compensation. This compensation was paid in 2002.

Management Incentive Plan. The Company's executive officers are eligible for an annual performance bonus under the Management Incentive Plan. The bonus paid from this plan has two components: the Corporate Component and the Individual Performance/Profit Sharing Component. The Corporate Component is equal to one times the executives' total payouts from the Profit Sharing Plan (two times the Profit Sharing payout for the Chief Executive Officer) as described above.

The Individual Performance/Profit Sharing Component has two parts. First, individual performance objectives are established for each eligible executive. These individual objectives can include both financial and non-financial measures related to the performance of the busine units or corporate departments for which the executive is responsible. To determine how well executives other than the Chief Executive Offic have performed on their individual performance objectives, the Committee considers input from the Chief Executive Officer as well as other relevant factors. Not all individual performance objectives are quantifiable and the Committee did not assign quantitative relative weights to different factors or follow mathematical formulae. The Committee used discretion in evaluating the executives' achievements of their individual performance objectives. Individual performance objectives are also established for the Chief Executive Officer. The Committee evaluates all relevant data to determine to what extent Mr. Hefty has met his performance expectations. Again, the Committee uses its discretion in making this determination.

The second part of the Individual Performance/Profit Sharing Component is based on the executives' payouts from the Local Component of the 2001 Profit Sharing Plan. Bonus payments are made according to a schedule that correlates percentages of base salary paid under the Local Component of the Profit Sharing Plan with specific bonus amounts.

Bonus amounts could range from 0% to 39% of annual compensation for executives other than the Chief Executive Officer (up to 21% from the Corporate Component and up to 18% from the Individual Performance/Profit Sharing Component) and from 0% to 72% of annual compensation for the Chief Executive Officer (up to 42% from the Corporate Component and up to 30% from the Individual Performance/Profit Sharing Component). For executives to earn the maximum award, they must have achieved outstanding results on each of their individual goals; the profitability of the business unit or regional area to which they are assigned must have reached an exceptional level and

the Company must have achieved a combined return on equity, excluding net income or loss from extraordinary items, of 20% or more. In 2001, the Company's combined return on equity, as defined by the Plan documents, was 3.4%. 2001 performance bonus awards for the executives discussed herein, other than the Chief Executive Officer, from the Individual Performance/Profit Sharing Component ranged from 8.15% to 13.83% of annual compensation. These awards were paid in 2002.

2001 Supplemental Incentive Plan. The Committee, in conjunction with the Management Review Committee of the Board of Directors of BCBSUW, established the Cobalt Corporation 2001 Supplemental Plan (the "Supplemental Plan"). The Supplemental Plan was established and designed to focus the organization on activities, behaviors and leadership that would enhance the performance, and stock price, for Cobalt and to retain key executives. The Supplemental Plan was a one-time supplemental plan, with performance targets that equated to the Annual Operating Plan for Cobalt for 2001.

Since actual performance did not meet the threshold performance level for payment, there were no awards made under the Supplemental Plan.

Long-Term Incentive Compensation

The Company's executive compensation strategy is to provide long-term compensation at a competitive level for the managed care market.

Stock Options. The Committee is responsible for administering the Company's stock option program, which is designed to motivate employees to maximize shareholder value and maintain a medium to long-term perspective. Option grants are made at the fair market price on the date of grant and become exercisable in equal annual installments over a four-year term, expiring 12 years after the date of grant.

The Final Decision and Order of the Wisconsin Commissioner of Insurance with respect to the conversion of BCBSUW prohibited equity compensation for existing officers of BCBSUW and Cobalt until after March 23, 2002; therefore, no equity grants were made during 2001 to the Chief Executive Officer and the executives described herein.

The Committee decided to consolidate equity incentive awards previously made under the Cobalt Stock Appreciation Rights ("SAR") Plan and the BCBSUW SAR Plan with those of the Plan. In connection with that consolidation, the Committee substituted options from the Plan, containing the same exercise price, vesting schedule, and expiration date, for the outstanding stock appreciation rights previously issued under the Cobalt SAR Plan and the BCBSUW SAR Plan. In exchange for the substituted options, the previously granted stock appreciation rights were cancelled. Mr. Hefty received 66,261 substituted options for previously issued stock appreciation rights under the Cobalt SAR Plan and Mr. Cullen received a total of 232,234 substituted options for previously issued stock appreciation rights under the BCBSUW SAR Plan.

Chief Executive Officer Compensation

Mr. Hefty's annual cash compensation for 2001 included his base salary, profit sharing, and management incentive bonus for a total of $901,217. Those elements paid in 2002 based on 2001 performance are discussed below.

Mr. Hefty's base salary in 2000 was approximately 96% of the average base salary for comparable positions, according to the previously mentioned Hewitt compensation survey. Mr. Hefty's base salary for 2001 was increased to an amount which represented approximately 107% of the December 2000 estimated market value of his position and represented approximately 100% of the December 2001 estimated market value of his position.

With respect to annual incentive compensation, Mr. Hefty received 4.70% of his base salary under the Profit Sharing Plan based on Cobalt's return of equity of 3.4% and Customer Satisfaction levels. Under the Individual Performance/Profit Sharing Component of the Management Incentive Plan, Mr. Hefty was awarded 18.92% of his base salary based on Cobalt's financial results and his achievement of individual performance goals set at the beginning of the year.

Conclusion

After its review of the total compensation program for the executives of the Company, the Committee continues to believe that these executive compensation policies and practices serve the interests of shareholders and the Company effectively. We also believe that the various compensation programs offered are appropriately balanced to provide increased motivation for executive officers to contribute to the Company's overall future success, thereby increasing the value of the Company for the shareholders' benefit. We will continue to monitor the effectiveness of the Company's total compensation program to meet the ongoing needs of the Company.

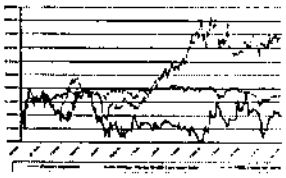
MANAGEMENT REVIEW COMMITTEE
James L. Forbes, Chairman
Barry K. Allen
Michael S. Joyce
Janet D. Steiger

Performance Graph

The following performance graph compares the cumulative shareholder return of the Company's Common Stock to the cumulative shareholder return of the NYSE Composite and the Morgan Stanley Health Care Payor Index for the period of September 28, 1998 through December 31, 2001. The graph assumes an investment of $100 in each of the Company's Common Stock, the NYSE Composite Index, and the Morgan Stanley Healthcare Payor Index on September 28, 1998, and assumes reinvestment of all dividends.

Comparison of Cumulative Total Returns Through December 31, 2001

Performance Graph for
Cobalt Corporation



	09/28/98	12/31/98	12/31/99	12/31/00	12/31/01
Cobalt Corporation	$ 100.00	$ 121.59	$ 61.97	$ 48.48	$ 91.64
NYSE Composite Index	$ 100.00	$ 115.83	$ 128.50	$ 131.82	$ 120.33
Morgan Stanley Health Care Payor Index	$ 100.00	$ 118.36	$ 105.67	$ 229.16	$ 208.79

CERTAIN TRANSACTIONS

Intracompany Loan

As of September 11, 1998, The Company entered into a $70,000,000 note obligation due to BCBSUW in connection with the spin-off in 1998 of AMSG's managed care companies and specialty business. The Company pledged the common stock of Compcare subsidiaries as collateral for the note obligation. Interest is payable quarterly at a rate equal to 9.75% and 8.06% as of December 31, 2001 and 2000, respectively. The original maturity date of the principal balance was extended from April 30, 2001 to January 1, 2002. The maturity date was subsequently extended to February 15, 2002 at an interest rate of 7.38%. The note was amended and the maturity date was extended to January 2, 2003 at an interest rate of 7.38% on February 14, 2002. The terms and extension of the note are subject to approval by the Wisconsin Office of the Commissioner of Insurance.

Voting Trust and Divestiture Agreement

In March 2001, the Company completed a restructuring (the "Combination") whereby, generally speaking, (i) BCBSUW converted its form of ownership to a stock insurance corporation to a stock corporation; (ii) all of the common stock of BCBSUW was transferred to the Company; (iii) the Company issued 31,313,390 shares of Common Stock to the Foundation; and (iv) the Company, which was previously known as United Wisconsin Services, Inc., changed its name to "Cobalt Corporation." As a result, BCBSUW is now a wholly owned subsidiary of the Company, and the Foundation now owns 31,313,390 shares of Common Stock, representing approximately 77.0% of the outstanding Common Stock as of March 31, 2002.

In connection with the Combination, Blue Cross Blue Shield Association ("Association") rules required the Foundation to deposit all of its shares of Common Stock into a voting trust and to sell its shares within prescribed time periods. Accordingly, Cobalt, the Foundation and Marshall & Isley Trust Company entered into a voting trust and divestiture agreement, pursuant to which the Foundation deposited into a voting trust all of the shares of Cobalt it received in the Combination. The terms of the voting trust significantly limit the Foundation's voting rights, and the trustee of the voting trust will vote those shares in the manner described below. In addition, the Foundation must sell its shares of Common Stock within prescribed periods of time and may dispose of those shares only in a manner that would not violate the ownership requirements contained in the Company's Amended and Restated Articles of Incorporation.

In general, in order to maintain Cobalt's independence from the Foundation, the trustee of the voting trust will vote the shares of Common Stock owned by the Foundation as directed by the directors of Cobalt, except that the Foundation will decide how to vote these shares on a merger or similar business combination proposal which would result in the then existing shareholders of Cobalt owning less than 50.1% of the resulting company, or which would result in any person or entity who owned 50.1% or less of Common Stock owning more than 50.1% of the voting securities of the resulting entity. Specifically, the trustee of the voting trust will vote all of the Foundation's shares of Cobalt in the voting trust in the following manner:

- If the matter is the election of directors of Cobalt, the trustee will vote the shares in favor of each nominee whose nomination has been approved by (i) a majority of the members of the Cobalt Board of Directors who were not nominated at the initiative of the Foundation or of a person or entity owning shares of Cobalt in excess of the ownership limits contained in Cobalt's Amended and Restated Articles of Incorporation (such directors being called "Independent Directors"), and (ii) a majority of the entire Cobalt Board of Directors.

- The trustee will vote against the removal of any director of Cobalt, and against any change to Cobalt's Amended and Restated Articles of Incorporation or bylaws, unless (i) a majority of the

Independent Directors, and (ii) a majority of the entire Cobalt Board of Directors, initiates or consents to such removal or amendment action.

- In the event that any candidates are eligible for election to the Board of Directors who, if elected, would not qualify as Independent Directors, the trustee will vote the Foundation's shares in the same proportion and for the same candidates as voted for by the Cobalt shareholders; *provided, however* , that if director seats are eligible for public shareholder representation, the trustee will be directed to vote its shares in the same proportion and for the same candidates voted for by the other Cobalt shareholders. This provision will sunset at such time as the Foundation owns less than 20% of the outstanding shares of Common Stock.

- The trustee will vote as directed by the Board of Directors of the Foundation on any proposed business combination transaction that if consummated would result in (1) the then existing Cobalt shareholders, including the Foundation, owning less than 50.1% of the outstanding voting securities of the resulting entity, or (2) any person or entity who, prior to the proposed transaction, owned less than 50.1% of the outstanding Common Stock of Cobalt owning 50.1% or more of the outstanding voting securities of the resulting entity.

- The trustee will vote in accordance with the recommendation of the Cobalt Board of Directors on any action requiring prior approval of the Cobalt Board of Directors as a prerequisite to becoming effective.

In addition, unless a majority of the Independent Directors and a majority of the entire Cobalt Board of Directors initiates or consents to such action, neither the Foundation nor the trustee of the voting trust may:

- nominate any candidate to fill any vacancy on the Cobalt Board of Directors;

- call any special meeting of Cobalt shareholders; or

- take any action that would be inconsistent with the voting requirements contained in the voting trust and divestiture agreement.

The Foundation also agreed not to take actions that a shareholder of a corporation ordinarily could take in its capacity as a shareholder including among other things acquiring additional shares of Common Stock (other than in a stock split or other similar transaction) making any shareholder proposal for submission at an annual meeting of shareholders of Cobalt, nominating any candidate to the Cobalt Board of Directors, or appointing any individual to fill a vacancy on the Cobalt Board of Directors.

Other

Effective January 1, 2000, Valley Health Plan, Inc. ("VHP"), a wholly-owned subsidiary of the Company, and the Company negotiated a three-year renewal of their joint venture with Midelfort Clinic, Ltd. ("Midelfort"). Midelfort Clinic is owned by Mayo Health System and is affiliated with Mayo Clinic. The joint venture enables VHP to produce, market and administer managed care products in northwestern Wisconsin through the utilization of a provider network. Pursuant to the joint venture, VHP has a capitated and a discounted fee-for-service arrangement with Midelfort. Midelfort also participates in a profit-sharing arrangement with VHP. In fiscal 2001, VHP paid $25,208,519 to Midelfort for professional services, pharmaceutical services and profit-sharing. Dr. William Rupp, one of the Company's directors, was the Chief Executive Office of Midelfort until December 31, 2001. All terms of the joint venture were negotiated at arms-length between the parties.

In October 1999, Unity Health Plans Insurance Corporation ("Unity"), a wholly-owned subsidiary of the Company, BCBSUW and the Company negotiated a five-year renewal of their joint venture with Community Health Systems, LLC ("CHS"), a Wisconsin limited liability company. The Unity joint

venture is the combination of two separate joint ventures, one with CHS and one with the University Health Care, Inc. ("UHC," the contracting agent for the University of Wisconsin Hospital and Clinics) and several of UHC's affiliates. The operations of the two joint ventures were combined and began operating as a single health plan under the auspices of a joint governing board. The joint venture enables Unity to produce, market and administer managed care products in southwestern Wisconsin through the utilization of a provider network. Pursuant to the joint venture, Community Physicians Network, Inc. ("CPN"), a part owner of CHS, provides credentialing and utilization management services for Unity and arranges for the delivery of health care services through its contracted providers to members enrolled with Unity. In fiscal 2001, Unity paid $3,283,138 to CPN for those services. In addition, CPN has an accumulated balance due to Unity of $5,875,205 relating to the current and past joint venture agreements. Dr. D. Keith Ness, one of the Company's directors, is the Chairman of CHS and the President of CPN. All terms of the joint venture were negotiated at arms-length between the parties. Additionally, on June 15, 1998, BCBSUW and CPN entered into a loan agreement that provided for a line of credit to CPN in the principal amount of $4,000,000. Use of the loan proceeds is restricted to the maintenance, operation and expansion of CPN's provider network. The maximum aggregate amount of indebtedness of CPN outstanding under this agreement for fiscal 2001 was $3,000,000. The rate of interest on such indebtedness is calculated at the prime rate (which as of December 31, 2001 was 4.75% per annum).

AUDITORS

The Audit Committee of the Board of Directors selected Ernst & Young as independent auditors for the Company for the year ending December 31, 2001. Ernst & Young has examined the accounts of the Company since 1988. Representatives of Ernst & Young will be present at the Meeting, will be available to respond to questions and may make a statement if they so desire.

Audit Fees

The aggregate fees billed by Ernst & Young for professional services rendered for the audit of the Company's annual financial statements for the fiscal year ended December 31, 2001, and for the reviews of the financial statements included in the Company's Quarterly Reports on Form 10-Q for that fiscal year were $542,000.

Financial Information Systems Design and Implementation Fees.

Ernst & Young did not provide any professional services to the Company for information technology services relating to financial information systems design and implementation for the fiscal year ended December 31, 2001.

All Other Fees

The aggregate fees billed by Ernst & Young for services rendered to the Company, other than for services described above under "Audit Fees" for the fiscal year ended December 31, 2001, were $1,532,000. Information system auditing and information system security certificatio services. amounting to $1,092,000 in 2001, will no longer be provided by Ernst & Young. "All Other Fees" also includes $224,000 of fees related to subsidiary statutory audits and employee benefit plan audits and $100,000 related to the Combination.

OTHER MATTERS

Pursuant to Article II of the Company's bylaws which provides procedures by which shareholders may raise matters at annual meetings, proposals which shareholders intend to present at the 2003 Annual Meeting of Shareholders must be received by the Company between January 29, 2003 and

February 28, 2003 to be presented at that meeting. If such a proposal is received after February [illegible], 2003, then it would be untimely. Should the Board nevertheless choose to present such proposal, the proxies will be able to vote on the proposal using their best judgment. To be eligible for inclusion in the proxy material for that meeting, shareholder proposals must be received by December 26, 2002.

The Company knows of no other matters to come before the Meeting. If any other matters properly come before the Meeting, or any adjournments or postponements thereof, it is the intention of the persons acting pursuant to the accompanying appointment of proxy form to vote the shares represented thereby in accordance with their best judgment.

Pursuant to the rules of the Securities and Exchange Commission, services that deliver the Company's communications to shareholders that hold their stock through a bank, broker or other holder of record may deliver to multiple shareholders sharing the same address a single copy of the Company's annual report to shareholders and proxy statement. Upon written or oral request, the Company will promptly deliver a separate copy of the annual report to shareholders and/or proxy statement to any shareholder at a shared address to which a single copy of each document was delivered. Shareholders may notify the Company of their requests by calling or writing Stephen E. Bablitch, Secretary, Cobalt Corporation, 401 West Michigan Street, Milwaukee, Wisconsin 53203, phone number (414) 226-5000.

COBALT
CORPORATION
Stephen E. Bablitch,
Secretary

Milwaukee, Wisconsin
April 25, 2002

A COPY (WITHOUT EXHIBITS) OF THE COMPANY'S ANNUAL REPORT ON FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2001, WILL BE PROVIDED WITHOUT CHARGE TO EACH RECORD OR BENEFICIAL OWNER OF THE COMPANY'S COMMON STOCK AS OF APRIL 12, 2002, ON THE WRITTEN REQUEST OF SUCH PERSON DIRECTED TO: STEPHEN E. BABLITCH, SECRETARY, COBALT CORPORATION, 401 WEST MICHIGAN STREET, MILWAUKEE, WISCONSIN 53203.

EQUITY INCENTIVE PLAN

COBALT CORPORATION

THIS DOCUMENT CONSTITUTES PART
OF A PROSPECTUS COVERING SECURITIES
THAT HAVE BEEN REGISTERED
UNDER THE SECURITIES ACT OF 1933, AS AMENDED.

COBALT CORPORATION
EQUITY INCENTIVE PLAN
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COBALT CORPORATION
EQUITY INCENTIVE PLAN

ARTICLE 1. ESTABLISHMENT, PURPOSE, AND DURATION

1.1 *Establishment of the Plan.* Cobalt Corporation, a Wisconsin corporation (hereinafter referred to as the "Company"), has established an incentive compensation plan to be known as the "Cobalt Corporation Equity Incentive Plan" (hereinafter referred to as the "Plan"), as set forth in this document. The Plan permits the grant of Nonqualified Stock Options, Incentive Stock Options, SARs, Restricted Stock, Performance Units, and Performance Shares.

This Plan was originally created in connection with the distribution (the "Distribution"), by the corporation formerly known as United Wisconsin Services, Inc. of all of the shares in the Company in connection with the spin-off of the managed care and specialty products business to the Company. In connection with the Distribution, Options ("Substituted Awards") will be issued under this Plan in substitution for Options issued under the equity incentive plan of the corporation formerly known as United Wisconsin Services, Inc. (the "Prior Plan").

Upon approval by the Board of Directors of the Company, subject to ratification by an affirmative vote of the holders of a majority of the Shares of the Company, the Plan shall become effective as of the Distribution Date (the "Effective Date"), and shall remain in effect as provided in Section 1.3 herein.

1.2 *Purpose of the Plan.* The purpose of the Plan is to promote the success, and enhance the value, of the Company by linking the personal interests of Participants to those of Company shareholders, and by providing Participants with an incentive for outstanding performance.

The Plan is further intended to provide flexibility to the Company in its ability to motivate, attract, and retain the services of Participants upon whose judgment, interest, and special effort the successful conduct of its operation is dependent.

1.3 *Duration of the Plan.* Subject to approval by the Board of Directors of the Company and ratification by the shareholders of the Company, the Plan shall commence on the Effective Date, as described in Section 1.1 herein, and shall remain in effect, subject to the right of the Board of Directors to terminate the Plan at any time pursuant to Article 14 herein, until all Shares subject to it shall have been purchased or acquired according to the Plan's provisions. However, in no event may an Award be granted under the Plan more than ten years after the Effective Date.

ARTICLE 2. DEFINITIONS

Whenever used in the Plan, the following terms shall have the meanings set forth below and, when the meaning is intended, the initial letter of the word is capitalized:

(a) "Affiliate"—A company closely related to the Company such as Blue Cross & Blue Shield United of Wisconsin, or such other company as the Board may designate. For purposes of Options received in connection with the Distribution, American Medical Security Group, Inc. (and its subsidiaries) will be considered Affiliates.

(b) "Affiliated SAR" means a SAR that is granted in connection with a related Option, and which will be deemed to automatically be exercised simultaneous with the exercise of the related Option.

(c) "Award" means, individually or collectively, a grant under this Plan of Nonqualified Stock Options, Incentive Stock Options, SARs, Restricted Stock, Performance Units, or Performance Shares.

(d)
"Award Agreement" means an agreement entered into by each Participant and the Company, setting forth the terms and provisions applicable to Awards granted to Participants under this Plan.

(e)
"Beneficial Owner" shall have the meaning ascribed to such term in Rule 13d-3 of the General Rules and Regulations under the Exchange Act.

(f)
"Board" or "Board of Directors" means the Board of Directors of the Company.

(g)
"Cause" means: (i) willful and gross misconduct on the part of a Participant that is materially and demonstrably detrimental to the Company; or (ii) the commission by a Participant of one or more acts which constitute an indictable crime under United States Federal, state, or local law. "Cause" under either (i) or (ii) shall be determined in good faith by the Committee.

(h)
"Change in Control" of the Company shall be deemed to have occurred as of the first day that any one or more of the following conditions shall have been satisfied:

(i)
Any Person (other than those Persons in control of the Company as of the Effective Date, or other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company, or a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company), becomes the Beneficial Owner, directly or indirectly, of securities of the Company representing twenty-five percent (25%) or more of the combined voting power of the Company's then outstanding securities; or

(ii)
During any period of two (2) consecutive years (not including any period prior to the Effective Date), individuals who at the beginning of such period constitute the Board (and any new Director, whose election by the Company's stockholders was approved by a vote of at least two-thirds ($^{2}/_{3}$) of the Directors then still in office who either were Directors at the beginning of the period or whose election or nomination for election was so approved), cease for any reason to constitute a majority thereof; or

(iii)
The stockholders of the Company approve: (A) a plan of complete liquidation of the Company; or (B) an agreement for the sale or disposition of all or substantially all the Company's assets; or (C) a merger, consolidation, or reorganization of the Company with or involving any other corporation, other than a merger, consolidation, or reorganization that would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity), at least fifty percent (50%) of the combined voting power of the voting securities of the Company (or such surviving entity) outstanding immediately after such merger, consolidation, or reorganization.

However, in no event shall a "Change in Control" be deemed to have occurred, with respect to a Participant, if the Participant is part of a purchasing group which consummates the Change-in-Control transaction. A Participant shall be deemed "part of a purchasing group" for purposes of the preceding sentence if the Participant is an equity participant in the purchasing company or group (except for: (i) passive ownership of less than three percent (3%) of the stock of the purchasing company; or (ii) ownership of equity participation in the purchasing company or group which is otherwise not significant, as determined prior to the Change in Control by a majority of the nonemployee continuing Directors).

(i)
"Code" means the Internal Revenue Code of 1986, as amended from time to time.

(j)
"Committee" means the Management Review Committee, as specified in Article 3, appointed by the Board to administer the Plan with respect to grants of Awards.

(k)
"Company" means Cobalt Corporation, a Wisconsin corporation, (until the Effective Date known as Newco/UWS, Inc.) or any successor thereto as provided in Article 17 herein.

(l)
"Director" means any individual who is a Non-Employee member of the Board of Directors of the Company.

(m)
"Directors Plan" means the 1995 Directors Stock Option Plan of United Wisconsin Services, Inc.

(n)
"Disability" means a permanent and total disability, within the meaning of Code Section 22(e)(3), as determined by the Committee in good faith, upon receipt of sufficient competent medical advice from one or more individuals, selected by the Committee, who are qualified to give professional medical advice.

(o)
"Distribution Date" means the date the stock of the Company was distributed by the corporation formerly known as United Wisconsin Services, Inc.

(p)
"Employee" means any full-time employee of the Company or of the Company's Subsidiaries or Affiliates. Directors who are not otherwise employed by the Company shall not be considered Employees under this Plan.

(q)
"Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, or any successor act thereto.

(r)
"Fair Market Value" means the closing price for Shares on the relevant date, or (if there were no sales on such date) the average of closing prices on the nearest day before and the nearest day after the relevant date, on a stock exchange or over the counter, as determined by the Committee.

(s)
"Freestanding SAR" means a SAR that is granted independently of any Options.

(t)
"Incentive Stock Option" or "ISO" means an Option to purchase Shares, granted under Article 6 herein, which is designated as an Incentive Stock Option and is intended to meet the requirements of Section 422 of the Code.

(u)
"Insider" shall mean a Participant who is, on the relevant date, an officer, Director or 10% shareholder of the Company, subject to Section 16 of the Exchange Act.

(v)
"Nonqualified Stock Option" or "NQSO" means an Option to purchase Shares, granted under Article 6 herein, which is not intended to be an Incentive Stock Option.

(w)
"Option" means an Incentive Stock Option or a Nonqualified Stock Option.

(x)
"Option Price" means the price at which a Share may be purchased by a Participant pursuant to an Option, as determined by the Committee.

(y)
"Participant" means an Employee or a Director who has outstanding an Award granted under the Plan.

(z)
"Performance Unit" means an Award granted to an Employee, as described in Article 9 herein.

(aa)
"Performance Share" means an Award granted to an Employee, as described in Article 9 herein.

(bb)

"Period of Restriction" means the period during which the transfer of Shares of Restricted Stock is limited in some way (based on the passage of time, the achievement of performance goals, or upon the occurrence of other events as determined by the Committee, at its

discretion). and the Shares ar. bject to a substantial risk of forfeiture, as prov. d in Article 8 herein.

(cc)
"Person" shall have the meaning ascribed to such term in Section 3(a)(9) of the Exchange Act and used in Sections 13(d) and 14(d) thereof, including a "group" as defined in Section 13(d).

(dd)
"Restricted Stock" means an Award granted to a Participant pursuant to Article 8 herein.

(ee)
"Retirement" shall have the meaning ascribed to it in the tax-qualified defined benefit retirement plan of the Company.

(ff)
"Shares" means the shares of common stock of the Company.

(gg)
"Stock Appreciation Right" or "SAR" means an Award, granted alone or in connection with a related Option, designated as a SAR, pursuant to the terms of Article 7 herein.

(hh)
"Subsidiary" means any corporation in which the Company owns directly, or indirectly through subsidiaries, at least fifty percent (50%) of the total combined voting power of all classes of stock, or any other entity (including, but not limited to, partnerships and joint ventures) in which the Company owns at least fifty percent (50%) of the combined equity thereof.

(ii)
"Substituted Award" means an Option issued under this Plan in substitution for an award issued under another equity incentive plan, including but not limited to awards issued pursuant to the Prior Plan and the Directors Plan.

(jj)
"Tandem SAR" means a SAR that is granted in connection with a related Option, the exercise of which shall require forfeiture of the right to purchase a Share under the related Option (and when a Share is purchased under the Option, a SAR shall similarly be cancelled).

(kk)
"Window Period" means the period beginning on the third business day following the date of public release of the Company's quarterly sales and earnings information, and ending of the thirtieth day following such date.

ARTICLE 3. ADMINISTRATION

3.1 *The Committee.* The Plan shall be administered by the Management Review Committee of the Board, or by any other Committee appointed by the Board consisting of not less than two (2) Directors who are not Employees. The members of the Committee shall be appointe from time to time by, and shall serve at the discretion of, the Board of Directors.

All members of the Committee shall be Non-Employee Directors. "Non-Employee Directors," as defined in rule 16b-3 promulgated by th Securities and Exchange Commission ("SEC") under the Exchange Act, means a director who (i) is not currently an officer or otherwise employed by the Company or any affiliate (ii) does not receive compensation for consulting service or in any other capacity from the Compan in excess of $60,000 in any one year, (iii) does not possess an interest in and is not engaged in business relationships required to be reported under Items 404(a) or 404(b) of Regulation S-K promulgated under the Exchange Act and (iv) is an Outside Director as defined in Treas. Reg. 1.162-27.

3.2 *Authority of the Committee.* The Committee shall have full power except as limited by law or by the Articles of Incorporation or Bylaws of the Company, and subject to the provisions herein, to determine the size and types of Awards with respect to Employees; to determine the terms and conditions of such Employee Awards in a manner consistent with the Plan; to construe and interpret the Plan and any agreement or instrument entered into under the Plan; to establish, amend, or waive rules and regulations for the Plan's administration; and (subject to the provisions of Article 14 herein) to amend the terms and conditions of any outstanding Award to the extent such terms and conditions are within the discretion of the Committee as provided in the Plan. Further, the Committee shall make

all other determinations which may be necessary or advisable for the administration of the Plan. As permitted by law, the Committee may delegate its authority as identified hereunder.

3.3 *Decisions Binding.* All determinations and decisions made by the Committee pursuant to the provisions of the Plan and all related orders or resolutions of the Board of Directors shall be final, conclusive, and binding on all persons, including the Company, its stockholders, Employees, Directors, Participants, and their estates and beneficiaries.

ARTICLE 4. SHARES SUBJECT TO THE PLAN

4.1 *Number of Shares.* Subject to adjustment as provided in Section 4.3 herein, the total number of Shares available for grant under the Plan may not exceed 8,700,000. These 8,700,000 Shares may be either authorized but unissued or reacquired Shares.

The following rules will apply for purposes of the determination of the number of Shares available for grant under the Plan:

(a)
While an Award is outstanding, it shall be counted against the authorized pool of Shares, regardless of its vested status.

(b)
The grant of an Option or Restricted Stock shall reduce the Shares available for grant under the Plan by the number of Shares subject to such Award.

(c)
The grant of a Tandem SAR shall reduce the number of Shares available for grant by the number of Shares subject to the related Option (i.e., there is no double counting of Options and their related Tandem SARs).

(d)
The grant of an Affiliated SAR shall reduce the number of Shares available for grant by the number of Shares subject to the SAR, in addition to the number of Shares subject to the related Option.

(e)
The grant of a Freestanding SAR shall reduce the number of Shares available for grant by the number of Freestanding SARs granted

(f)
The Committee shall in each case determine the appropriate number of Shares to deduct from the authorized pool in connection with the grant of Performance Units and/or Performance Shares.

(g)
To the extent that an Award is settled in cash rather than in Shares, the authorized Share pool shall be credited with the appropriate number of Shares represented by the cash settlement of the Award, as determined at the sole discretion of the Committee (subject to the limitation set forth in Section 4.2 herein).

4.2 *Lapsed Awards.* If any Award granted under this Plan is canceled, terminates, expires, or lapses for any reason (with the exception of the termination of a Tandem SAR upon exercise of the related Option, or the termination of a related Option upon exercise of the corresponding Tandem SAR), any Shares subject to such Award again shall be available for the grant of an Award under the Plan.

4.3 *Adjustments in Authorized Shares.* In the event of any merger, reorganization, consolidation, recapitalization, separation, liquidation, stock dividend, split-up, share combination, or other change in the corporate structure of the Company affecting the Shares, such adjustment shall be made in the number and class of Shares which may be delivered under the Plan, and in the number and class of and/or price of Shares subject to outstanding Options, SARs, and Restricted Stock granted under the Plan, as may be determined to be appropriate and equitable by the Committee, in its sole discretion, to prevent dilution or enlargement of rights; and provided that the number of Shares subject to any Award shall always be a whole number.

ARTICLE 5. ELIGIBILITY AND PARTICIPATION

5.1 *Eligibility.* Persons eligible to participate in this Plan include all Employees and Directors.

5.2 *Actual Participation.* Subject to the provisions of the Plan, the Committee may, from time to time, select from all eligible Employees, those to whom Awards shall be granted and shall determine the nature and amount of each Award. Directors shall receive Options as provided in Section 6.1.

ARTICLE 6. STOCK OPTIONS

6.1 *Grant of Options.* Subject to the terms and provisions of the Plan, Options may be granted to Employees at any time and from time to time as shall be determined by the Committee. The Committee shall have discretion in determining the number of Shares subject to Options granted to each Employee except that no Employee may receive Options (other than Substituted Awards) with respect to more than 250,000 Shares in any year. The Committee may grant ISOs, NQSOs, or a combination thereof to Employees. Directors may receive only NQSOs. Substituted Awards may be issued under the Plan. The number of Substituted Awards shall be the number of awards immediately before the substitution, adjusted to prevent dilution or enlargement of the Participant's rights. The grant date of such Substituted Awards shall be the grant date under the plan through which the awards were originally granted. Substituted Awards shall be issued to Directors and Employees who participated in the Prior Plan and in the Directors Plan in accordance with the terms of the Employee Benefits Agreement executed in connection with the Distribution, and such Substituted Awards shall be subject to the same grant date, exercise price (as adjusted pursuant to Section 6.3), vesting and exercise period such awards were subject to under the Prior Plan and the Directors Plan.

To the extent Shares are available for grant under the Plan, each Director who is first elected as a Director subsequent to the Effective Date (a "Subsequent Director") shall be granted, as of the date on which such Subsequent Director is qualified and first begins to serve as a Director, an Option to purchase 6,000 shares, subject to adjustment pursuant to Section 4.3 or to purchase such lesser number of Shares as remain available for grant under the Plan. In the event that the number of Shares available for grant under the Plan is insufficient to make all grants hereby specified on the relevant date, then all Directors who are entitled to a grant on such date shall share ratably in the number of Shares then available for grant under the Plan. The Option Price of such Option shall equal the Fair Market Value of a Share on the date the grant of this Option is effective.

If sufficient Shares are not available under the Plan to fulfill the grant of Options to any Subsequent Director first elected after the Effective Date, and thereafter additional Shares become available, such Subsequent Director receiving an Option for fewer than 6,000 Shares shall then receive an Option to purchase an amount of Shares, determined by dividing the number of Shares available pro-rata among each Subsequent Director receiving an Option for fewer than 6,000 Shares, then available under the Plan, not to exceed 6,000 Shares, subject to adjustment as to any one Subsequent Director. The date of grant shall be the date such additional Shares become available. The Option Price of an Option shall equal the Fair Market Value of a Share on the date the Option is granted.

If a Subsequent Director receives an Option to purchase fewer than 6,000 Shares, subject to adjustment pursuant to Section 4.3 hereof, and additional Shares subsequently become available under the Plan, an Option to purchase such Shares shall first be allocated as of the date of availability to any Subsequent Director who has not previously been granted an Option. Such Options shall be granted to purchase a number of Shares no greater than the number of Shares covered by Options granted to other Subsequent Directors first elected subsequent to the Effective Date, but who have received Options to purchase fewer than 6,000 Shares (subject to adjustment pursuant to Section 4.3). Thereafter, Options for any remaining Shares shall be granted pro-rata among all Subsequent Directors granted Options to purchase fewer than 6,000 Shares. No Director first elected after the Effective Date shall receive an Option to purchase more than 6,000 Shares (subject to adjustment under Section 4.3).

To the extent Shares are available for gra... under the Plan, each Director shall be granted during each calendar year, other than the calendar year in which the Director receives the option with respect to 6,000 Shares as a Subsequent Director, an Option to purchase 1,000 Shares, subject to adjustment pursuant to Section 4.3 (the "Annual Director Grant"). The date of the Annual Director Grants will be the first trading day of each calendar year. In the event that the number of Shares available for grant in any calendar year is insufficient to make Annua Director Grants, then no Annual Director Grants shall be made during such calendar year. The absence of Annual Director Grants during a calendar year shall not affect the Annual Director Grants in a subsequent calendar year.

The Option Price of the Shares purchasable under each Option granted to a Director shall be equal to one hundred percent (100%) of the Fair Market Value per Share on the date of grant of such Option.

Subject to acceleration as provided below, Options granted to Directors shall vest annually at the rate of thirty-three and one third percent (33 1/3%) of the aggregate number of Shares granted annually beginning on the first anniversary of the date of grant and on each subsequent anniversary of the date of grant thereafter. If a Director's tenure ends during the applicable three-year period due to death, Disability or Retirement or following a Change in Control, however, such Director's Options shall become immediately exercisable as to one hundred percent (100%) of the Shares covered thereby as of the Director's last day of service as a Director with the Company to the extent such Option may be exercised pursuant to Section 6.5 of this Plan. Retirement with respect to a Director shall mean the date of the Company's annual shareholders' meeting at which he or she would otherwise, but for said Retirement, be a nominee for election to the Board, or the date on whic the Director attains seventy (70) years of age.

Once any portion of an Option issued to a Director becomes exercisable, it shall remain exercisable for the shortest period of (1) twelve years from the date of grant; or (2) two (2) years following the date on which the Director ceases to serve in such capacity for any reason othe than removal for Cause. If a Director is removed for Cause, all outstanding Options held by the Director shall immediately be forfeited to the Company and no additional exercise period shall be allowed, regardless of the vested status of the Options.

6.2 *Option Award Agreement.* Each Option grant shall be evidenced by an Option Award Agreement that shall specify the Option Price, the duration of the Option, the number of Shares to which the Option pertains, and such other provisions as the Committee shall determine. The Option Award Agreement also shall specify whether the Option is intended to be an ISO within the meaning of Section 422 o the Code, or a NQSO whose grant is intended not to fall under the Code provisions of Section 422.

6.3 *Option Price.* The Option Price for each grant of an Option to an Employee shall be determined by the Committee; provided that the Option Price shall not be less than one hundred percent (100%) of the Fair Market Value of a Share on the date the Option is granted. The Option Price for a Substituted Award shall be the award price immediately before the substitution, adjusted to prevent dilution or enlargement of the Participant's rights.

6.4 *Duration of Options.* Each Option granted shall expire at such time as the Committee shall determine at the time of grant; provide however, that no ISO shall be exercisable later than the tenth (10th) anniversary date of its grant, and no NQSO shall be exercisable later than the twelfth (12th) anniversary date of its grant. Substituted Awards shall expire on the earlier of the date provided in this Section 6.4 or the da such awards would have expired under the plan and agreement pursuant to which they were originally granted.

6.5 *Exercise of Options.* Options granted to Employees under the Plan shall be exercisable at such times and be subject to such restrictions and conditions as the Committee shall in each instance

approve, which need not be the same for eac ant or for each Employee. However, in no eve nay any Option granted under this Plan to an Employee or Director become exercisable pri to six (6) months following the date of its gran.

6.6 *Payment.* Options shall be exercised by the delivery of a written notice of exercise to the Secretary of the Company, setting forth the number of Shares with respect to which the Option is to be exercised, accompanied by full payment for the Shares.

The Option Price upon exercise of any Option shall be payable to the Company in full either: (a) in cash or its equivalent, or (b) by tendering previously acquired Shares having an aggregate Fair Market Value at the time of exercise equal to the total Option Price (provided that the Shares which are tendered must have been held by the Participant for at least six (6) months prior to their tender to satisfy the Option Price), or (c) by a combination of (a) and (b).

The Committee also may allow cashless exercise as permitted under Federal Reserve Board's Regulation T, subject to applicable securities law restrictions, or by any other means which the Committee determines to be consistent with the Plan's purpose and applicable law.

As soon as practicable after receipt of a written notification of exercise and full payment, the Company shall deliver to the Participant, in the Participant's name, Share certificates in an appropriate amount based upon the number of Shares purchased under the Option(s).

6.7 *Restrictions on Share Transferability.* The Committee may impose such restrictions on any Shares acquired pursuant to the exercis of an Option under the Plan, as it may deem advisable, including, without limitation, restrictions under applicable Federal securities laws, unde the requirements of any stock exchange or market upon which such Shares are then listed and/or traded, and under any Blue Sky or state securities laws applicable to such Shares.

6.8 *Termination of Employment Due to Death, Disability or Retirement.*

(a)

Termination by Death . In the event the employment of an Employee is terminated by reason of death, all outstanding Options granted to that Employee shall immediately vest one hundred percent (100%), and shall remain exercisable at any time prior to their expiration date, or for one (1) year after the date of death, whichever period is shorter, by such person or persons as shall have been named as the Employee's beneficiary, or by such persons that have acquired the Employee's rights under the Option by will or by the laws of descent and distribution.

(b)

Termination by Disability . In the event the employment of an Employee is terminated by reason of Disability, all outstanding Options granted to that Employee shall immediately vest one hundred percent (100%) as of the date the Committee determines the definition of Disability to have been satisfied, and shall remain exercisable at any time prior to their expiration date, or for one (1) ye after the date that the Committee determines the definition of Disability to have been satisfied, whichever period is shorter.

(c)

Termination by Retirement . In the event the employment of an Employee is terminated by reason of Retirement, the Committee sha retain discretion over the treatment of Options.

(d)

Employment Termination Followed by Death . In the event that an Employee's employment terminates by reason of Disability or Retirement, and within the exercise period allowed by the Committee following such termination the Employee dies, then the remaining exercise period under outstanding Options shall equal the longer of: (i) one (1) year following death; or (ii) the remaining portion of the exercise period which was triggered by the employment termination. Such Options shall be exercisable by such person or persons who shall have been named as the Employee's beneficiary, or by such persons who have acquired the Employee's rights under the Option by will or by the laws of descent and distribution.

(e)

Exercise Limitations on ISOs . In the case of ISOs, the tax treatment prescribed under Section 422 of the Code may not be available if the Options are not exercised within the Section 422 prescribed time periods after each of the various types of employment termination.

6.9 *Termination of Employment for Other Reasons* . If the employment of an Employee shall terminate for any reason other than the reasons set forth in Section 6.8 (and other than for Cause), all Options held by the Employee which are not vested as of the effective date of employment termination immediately shall be forfeited to the Company (and shall once again become available for grant under the Plan). However, the Committee, in its sole discretion, shall have the right to immediately vest all or any portion of such Options, subject to such terms as the Committee, in its sole discretion, deems appropriate.

Options which are vested as of the effective date of employment termination may be exercised by the Employee within the period beginning on the effective date of employment termination, and ending six (6) months after such date or on such later date as is approved by the Committee.

If the employment of an Employee shall be terminated by the Company for Cause, all outstanding Options held by the Participant immediately shall be forfeited to the Company and no additional exercise period shall be allowed, regardless of the vested status of the Options

For Employees employed by Affiliates, termination shall mean termination of such Employee's employment with the Affiliate.

6.10 *Transferability of Options.* No ISO granted under the Plan may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. Further, all ISOs granted to a Participant under the Plan shall be exercisable during his or her lifetime only by such Participant.

NQSOs granted hereunder may be exercised only during a Participant's lifetime by the Participant, the Participant's guardian or legal representative or by a permissible transferee. NQSOs shall be transferable by Participants pursuant to the laws of descent and distribution upon a Participant's death, and during a Participant's lifetime, NQSOs shall be transferable by Participants to members of their immediate family, trusts for the benefit of members of their immediate family, and charitable institutions ("permissible transferees") to the extent permitted under Section 16 of the Exchange Act and subject to federal and state securities laws. The term "immediate family" shall mean any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, sister-in-law, or brother in-law and shall include adoptive relationships.

NQSOs also shall be transferable by Participants other than to permissible transferees with the prior approval of the Committee which shall have the authority to approve such transfers of NQSOs on a case-by-case basis in its sole discretion.

The Committee shall have the authority to establish rules and regulations specifically governing the transfer of NQSOs granted under this Plan as it deems necessary and advisable.

ARTICLE 7. STOCK APPRECIATION RIGHTS

7.1 *Grant of SARs.* Subject to the terms and conditions of the Plan, an SAR may be granted to an Employee at any time and from time to time as shall be determined by the Committee. The Committee may grant Affiliated SARs, Freestanding SARs, Tandem SARs, or any combination of these forms of SAR.

The Committee shall have complete discretion in determining the number of SARs granted to each Employee (subject to Article 4 herein) and, consistent with the provisions of the Plan, in determining the terms and conditions pertaining to such SARs. However, the grant price of a

Freestanding SAR shall be at least equal to one hundred percent (100%) of the Fair Market Value of a Share on the date of grant of the SAR. The grant price of Tandem or Affiliated SARs shall equal the Option Price of the related Option. In no event shall any SAR granted hereunder become exercisable within the first six (6) months of its grant.

7.2 *Exercise of Tandem SARs.* Tandem SARs may be exercised for all or part of the Shares subject to the related Option upon the surrender of the right to exercise the equivalent portion of the related Option. A Tandem SAR may be exercised only with respect to the Shares for which its related Option is then exercisable.

Notwithstanding any other provision of this Plan to the contrary, with respect to a Tandem SAR granted in connection with an ISO: (i) the Tandem SAR will expire no later than the expiration of the underlying ISO; (ii) the value of the payout with respect to the Tandem SAR may be for no more than one hundred percent (100%) of the difference between the Option Price of the underlying ISO and the Fair Market Value of the Shares subject to the underlying ISO at the time the Tandem SAR is exercised; and (iii) the Tandem SAR may be exercised only when the Fair Market Value of the Shares subject to the ISO exceeds the Option Price of the ISO.

7.3 *Exercise of Affiliated SARs.* Affiliated SARs shall be deemed to be exercised upon the exercise of the related Options. The deemed exercise of Affiliated SARs shall not necessitate a reduction in the number of related Options.

7.4 *Exercise of Freestanding SARs.* Freestanding SARs may be exercised upon whatever terms and conditions the Committee, in its sole discretion, imposes upon them.

7.5 *SAR Agreement.* Each SAR grant shall be evidenced by an Award Agreement that shall specify the grant price, the term of the SAR, and such other provisions as the Committee shall determine.

7.6 *Term of SARs.* The term of a SAR granted under the Plan shall be determined by the Committee, in its sole discretion; provided, however, that such term shall not exceed twelve (12) years.

7.7 *Payment of SAR Amount.* Upon exercise of an SAR, an Employee shall be entitled to receive payment from the Company in an amount determined by multiplying:

(a)
The difference between the Fair Market Value of a Share on the date of exercise over the grant price; by

(b)
The number of Shares with respect to which the SAR is exercised.

At the discretion of the Committee, the payment upon SAR exercise may be in cash, in Shares of equivalent value, or in some combination thereof.

7.8 *Rule 16b-3 Requirements.* Notwithstanding any other provision of the Plan, the Committee may impose such conditions on exercise of an SAR (including, without limitation, the right of the Committee to limit the time of exercise to specified periods) as may be required to satisfy the requirements of Section 16 (or any successor rule) of the Exchange Act.

For example, if the Participant is an Insider, the ability of the Participant to exercise SARs for cash will be limited to Window Periods. However, if the Committee determines that the Participant is not an Insider, or if the securities laws change to permit greater freedom of exercise of SARs, then the Committee may permit exercise at any point in time, to the extent the SARs are otherwise exercisable under the Plan.

7.9 *Termination of Employment Due to Death, Disability, or Retirement*

(a)
Termination by Death . In the event the employment of an Employee is terminated by reason of death, all outstanding SARs granted to that Employee shall immediately vest one hundred

percent (100%), and shall remain exercisable at any time prior to their expiration date, or for one (1) year after the date of death, whichever period is shorter, by such person or persons as shall have been named as the Employee's beneficiary, or by such persons that have acquired the Employee's rights under the SAR by will or by the laws of descent and distribution.

(b)

Termination by Disability . In the event the employment of a Participant is terminated by reason of Disability, all outstanding SARs granted to that Employee shall immediately vest one hundred percent (100%) as of the date the Committee determines the definition of Disability to have been satisfied, and shall remain exercisable at any time prior to their expiration date, or for one (1) year after the date that the Committee determines the definition of Disability to have been satisfied, whichever period is shorter.

(c)

Termination by Retirement . In the event the employment of an Employee is terminated by reason of Retirement, the Committee shall retain discretion over the treatment of SARs.

(d)

Employment Termination Followed by Death . In the event that an Employee's employment terminates by reason of Disability or Retirement, and within the exercise period allowed by the Committee following such termination the Employee dies, then the remaining exercise period under outstanding SARs shall equal the longer of: (i) one (1) year following death; or (ii) the remaining portion of the exercise period which was triggered by the employment termination. Such SARs shall be exercisable by such person or persons who shall have been named as the Employee's beneficiary, or by such persons who have acquired the Employee's rights under the SAR by will or by the laws of descent and distribution.

7.10 *Termination of Employment for Other Reasons.* If the employment of an Employee shall terminate for any reason other than the reasons set forth in Section 7.9 (and other than for Cause), all SARs held by the Employee which are not vested as of the effective date of employment termination immediately shall be forfeited to the Company (and shall once again become available for grant under the Plan). However, the Committee, in its sole discretion, shall have the right to immediately vest all or any portion of such SARs, subject to such terms as the Committee, in its sole discretion, deems appropriate.

SARs which are vested as of the effective date of employment termination may be exercised by the Employee within the period beginning on the effective date of employment termination, and ending six (6) months after such date or on such later date as is approved by the Committee.

If the employment of an Employee shall be terminated by the Company for Cause, all outstanding SARs held by the Employee immediately shall be forfeited to the Company and no additional exercise period shall be allowed, regardless of the vested status of the SARs.

7.11 *Nontransferability of SARs.* No SAR granted under the Plan may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. Further, all SARs granted to an Employee under the Plan shall be exercisable during his or her lifetime only by such Employee.

ARTICLE 8. RESTRICTED STOCK

8.1 *Grant of Restricted Stock.* Subject to the terms and provisions of the Plan, the Committee, at any time and from time to time, may grant Shares of Restricted Stock to eligible Employees in such amounts as the Committee shall determine.

8.2 *Restricted Stock Agreement.* Each Restricted Stock grant shall be evidenced by an Award Agreement that shall specify the Period of Restriction, or Periods, the number of Restricted Stock Shares granted, and such other provisions as the Committee shall determine.

8.3 *Transferability.* Except as provided in this Article 8, the Shares of Restricted Stock granted herein may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated until the end of the applicable Period of Restriction established by the Committee and specified in the Award Agreement, or upon earlier satisfaction of any other conditions, as specified by the Committee in its sole discretion and set forth in the Award Agreement. However, in no event may any Restricted Stock granted under the Plan become vested in an Employee prior to six (6) months following the date of its grant. All rights with respect to the Restricted Stock granted to an Employee under the Plan shall be available during his or her lifetime only to such Participant.

8.4 *Other Restrictions.* The Committee shall impose such other restrictions on any Shares of Restricted Stock granted pursuant to the Plan as it may deem advisable including, without limitation, restrictions based upon the achievement of specific performance goals (Company-wide, divisional, and/or individual), and/or restrictions under applicable Federal or state securities laws; and may legend the certificates representing Restricted Stock to give appropriate notice of such restrictions.

8.5 *Certificate Legend.* In addition to any legends placed on certificates pursuant to Section 8.4 herein, each certificate representing Shares of Restricted Stock granted pursuant to the Plan shall bear the following legend:

> "The sale or other transfer of the shares of stock represented by this certificate, whether voluntary, involuntary, or by operation of law, is subject to certain restrictions on transfer as set forth in the Cobalt Corporation Equity Incentive Plan, and in an associated Award Agreement. A copy of the Plan and such Award Agreement may be obtained from the Secretary of Cobalt Corporation."

8.6 *Removal of Restrictions.* Except as otherwise provided in this Article 8, Shares of Restricted Stock covered by each Restricted Stock grant made under the Plan shall become freely transferable by the Employee after the last day of the Period of Restriction. Once the Shares are released from the restrictions, the Employee shall be entitled to have the legend required by Section 8.5 removed from his or her Share certificate.

8.7 *Voting Rights.* During the Period of Restriction, Employees holding Shares of Restricted Stock granted hereunder may exercise ful voting rights with respect to those Shares.

8.8 *Dividends and Other Distributions.* During the Period of Restriction, Employees holding Shares of Restricted Stock granted hereunder shall be entitled to receive all dividends and other distributions paid with respect to those Shares while they are so held. If any such dividends or distributions are paid in Shares, the Shares shall be subject to the same restrictions on transferability and forfeitability as the Shares of Restricted Stock with respect to which they were paid.

In the event that any dividend constitutes a "derivative security" or an "equity security" pursuant to Rule 16(a) under the Exchange Act, such dividend shall be subject to a vesting period equal to the longer of: (i) the remaining vesting period of the Shares of Restricted Stock with respect to which the dividend is paid; or (ii) six months. The Committee shall establish procedures for the application of this provision.

8.9 *Termination of Employment Due to Death, Disability, or Retirement.* In the event the employment of an Employee is terminated by reason of death or Disability, all outstanding Shares of Restricted Stock shall immediately vest one hundred percent (100%) as of the date of employment termination (in the case of Disability, the date employment terminates shall be deemed to be the date that the Committee determines the definition of Disability to have been satisfied). The Committee retains discretion over the treatment of Restricted Stock upon Retirement. In the event of full vesting, the holder of the certificates of Restricted Stock shall be entitled to have any nontransferability legend required under Sections 8.4 and 8.5 of this Plan removed from the Share certificates.

8.10 *Termination of Employment for Other Reasons.* If the employment of an Employee shall terminate for any reason other than those specifically set forth in Section 8.9 herein, all Shares of Restricted Stock held by the Employee which are not vested as of the effective date of employment termination immediately shall be forfeited and returned to the Company (and, subject to Section 4.2 herein, shall once again become available for grant under the Plan).

With the exception of a termination of employment for Cause, the Committee, in its sole discretion, shall have the right to provide for lapsing of the restrictions on Restricted Stock following employment termination, upon such terms and provisions as it deems proper.

ARTICLE 9. PERFORMANCE UNITS AND PERFORMANCE SHARES

9.1 *Grant of Performance Units/Shares.* Subject to the terms of the Plan, Performance Units and Performance Shares may be granted t eligible Employees at any time and from time to time, as shall be determined by the Committee. The Committee shall have complete discretion in determining the number of Performance Units and Performance Shares granted to each Employee.

9.2 *Value of Performance Units/Shares.* Each Performance Unit shall have an initial value that is established by the Committee at the time of grant. Each Performance Share shall have an initial value equal to the Fair Market Value of a Share on the date of grant. The Committee shall set performance goals in its discretion which, depending on the extent to which they are met, will determine the number and/c value of Performance Units/Shares that will be paid out to the Employee. The time period during which the performance goals must be met shall be called a "Performance Period." Performance Periods shall, in all cases, exceed six (6) months in length.

9.3 *Earning of Performance Units/Shares.* After the applicable Performance Period has ended, the holder of Performance Units/Shares shall be entitled to receive payout on the number of Performance Units/Shares earned by the Employee over the Performance Period, to be determined as a function of the extent to which the corresponding performance goals have been achieved.

9.4 *Form and Timing of Payment of Performance Units/ Shares.* Payment of earned Performance Units/Shares shall be made in a singl lump sum, within forty-five (45) calendar days following the close of the applicable Performance Period. The Committee, in its sole discretion may pay earned Performance Units/Shares in the form of cash or in Shares (or in a combination thereof), which have an aggregate Fair Market Value equal to the value of the earned Performance Units/Shares at the close of the applicable Performance Period.

Prior to the beginning of each Performance Period, Participants may elect to defer the receipt of Performance Unit/Share payout upon such terms as the Committee deems appropriate.

9.5 *Termination of Employment Due to Death, Disability, Retirement, or Involuntary Termination (without Cause).* In the event the employment of an Employee is terminated by reason of death or Disability or involuntary termination without Cause during a Performance Period, the Employee shall receive a prorated payout of the Performance Units/Shares. The Committee retains discretion over the treatment of Performance Units/Shares upon Retirement. Any prorated payout shall be determined by the Committee, in its sole discretion, and shall be based upon the length of time that the Employee held the Performance Units/Shares during the Performance Period, and shall further be adjusted based on the achievement of the preestablished performance goals.

Timing of payment of earned Performance Units/Shares shall be determined by the Committee at its sole discretion.

9.6 *Termination of Employment for Other Reasons.* In the event that an Employee's employment terminates for any reason other than those reasons set forth in Section 9.5 herein, all Performance

Units/Shares shall be forfeited by the Employee to the Company, and shall once again be available for grant under the Plan.

9.7 *Nontransferability.* Performance Units/Shares may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. Further, an Employee's rights under the Plan shall be exercisable during the Employee's lifetime only by the Employee or the Employee's legal representative.

ARTICLE 10. BENEFICIARY DESIGNATION

Each Participant under the Plan may, from time to time, name any beneficiary or beneficiaries (who may be named contingently or successively) to whom any benefit under the Plan is to be paid in case of his or her death before he or she receives any or all of such benefit. Each such designation shall revoke all prior designations by the same Participant, shall be in a form prescribed by the Company, and will be effective only when any necessary spousal consent is obtained and filed by the Participant in writing with the Secretary of the Company during the Participant's lifetime. In the absence of any such designation, benefits remaining unpaid at the Participant's death shall be paid to the Participant's estate.

ARTICLE 11. DEFERRALS

The Committee may permit a Participant to defer such Participant's receipt of the payment of cash or the delivery of Shares that would otherwise be due to such Participant by virtue of the exercise of an Option or SAR, the lapse or waiver of restrictions with respect to Restricted Stock, or the satisfaction of any requirements or goals with respect to Performance Units/Shares. If any such deferral election is required or permitted, the Committee shall, in its sole discretion, establish rules and procedures for such payment deferrals.

ARTICLE 12. RIGHTS OF EMPLOYEES

12.1 *Employment.* Nothing in the Plan shall interfere with or limit in any way the right of the Company to terminate any Employee's employment at any time, nor confer upon any Employee any right to continue in the employ of the Company.

For purposes of the Plan, transfer of employment of a Participant between the Company and any one of its Subsidiaries (or between Subsidiaries) or Blue Cross & Blue Shield United of Wisconsin shall not be deemed a termination of employment.

12.2 *Participation.* No Employee shall have the right to be selected to receive an Award under this Plan, or, having been so selected, to be selected to receive a future Award.

ARTICLE 13. CHANGE IN CONTROL

Upon the occurrence of a Change in Control, unless otherwise specifically prohibited by the terms of Section 18 herein:

(a)
Any and all Options and SARs granted hereunder shall become immediately exercisable;

(b)
Any Period of Restriction and restrictions imposed on Restricted Shares shall lapse, and within ten (10) business days after the occurrence of a Change in Control, the stock certificates representing Shares of Restricted Stock, without any restrictions or legend thereon, shall be delivered to the applicable Participants;

(c)
The target value attainable under all Performance Units and Performance Shares shall be deemed to have been fully earned for the entire Performance Period as of the effective date of the Change in Control, and shall be paid out in cash to Participants within thirty (30) days

following the effective date of the Change in Control; provided, however, that there shall not be an accelerated payout with respect to Performance Units or Performance Shares which were granted less than six (6) months prior to the effective date of the Change in Control;

(d)
Subject to Article 14 herein, the Committee shall have the authority to make any modifications to the Awards as determined by the Committee to be appropriate before the effective date of the Change in Control.

ARTICLE 14. AMENDMENT, MODIFICATION, AND TERMINATION

14.1 *Amendment, Modification, and Termination.* With the approval of the Board, at any time and from time to time, the Committee may terminate, amend, or modify the Plan.

14.2 *Awards Previously Granted.* No termination, amendment, or modification of the Plan shall adversely affect in any material way any Award previously granted under the Plan, without the written consent of the Participant holding such Award.

ARTICLE 15. WITHHOLDING

15.1 *Tax Withholding.* The Company shall have the power and the right to deduct or withhold, or require a Participant to remit to the Company, an amount sufficient to satisfy Federal, state, and local taxes (including the Participant's FICA obligation) required by law to be withheld with respect to any taxable event arising or as a result of this Plan.

15.2 *Share Withholding.* With respect to withholding required upon the exercise of Options or SARs, upon the lapse of restrictions on Restricted Stock, or upon any other taxable event hereunder, Participants may elect, subject to the approval of the Committee, to satisfy the withholding requirement, in whole or in part, by having the Company withhold Shares having a Fair Market Value on the date the tax is to be determined equal to the minimum statutory total tax which could be imposed on the transaction. All elections shall be irrevocable, made in writing, signed by the Participant, and elections by Insiders shall additionally comply with the applicable requirement set forth in (a) or (b) of this Section 15.2.

(a)
Awards Having Exercise Timing Within Insiders' Discretion . The Insider must either:

(i)
Deliver written notice of the stock withholding election to the Committee at least six (6) months prior to the date specified by the Insider on which the exercise of the Award is to occur; or

(ii)
Make the stock withholding election in connection with an exercise of an Award which occurs during a Window Period.

(b)
Awards Having a Fixed Exercise/Payout Schedule Which is Outside Insiders' Control . The Insider must either:

(i)
Deliver written notice of the stock withholding election to the Committee at least six (6) months prior to the date on which the taxable event (e.g., exercise or payout) relating to the Award is scheduled to occur; or

(ii)
Make the stock withholding election during a Window Period which occurs prior to the scheduled taxable event relating to the Award (for this purpose, an election may be made prior to such a Window Period, provided that it becomes effective during a Window Period occurring prior to the applicable taxable event).

ARTICLE 16. INDEMNIFICATION

Each person who is or shall have been a member of the Committee, or of the Board, shall be indemnified and held harmless by the Company against and from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by him or her in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action taken or failure to act under the Plan and against and from any and all amounts paid by him or her in settlement thereof, with the Company's approval, or paid by him or her in satisfaction of any judgment in any such action, suit, or proceeding against him or her, provided he or she shall give the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled under the Company's Certificate of Incorporation or Bylaws, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

ARTICLE 17. SUCCESSORS

All obligations, of the Company under the Plan, with respect to Awards granted hereunder, shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Company.

ARTICLE 18. LEGAL CONSTRUCTION

18.1 *Gender and Number.* Except where otherwise indicated by the context, any masculine term used herein also shall include the feminine; the plural shall include the singular and the singular shall include the plural.

18.2 *Severability.* In the event any provision of the Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

18.3 *Requirements of Law.* The granting of Awards and the issuance of Shares under the Plan shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

Notwithstanding any other provision set forth in the Plan, if required by the then-current Section 16 of the Exchange Act, any "derivative security" or "equity security" offered pursuant to the Plan to any Insider may not be sold or transferred for at least six (6) months after the date of grant of such Award. The terms "equity security" and "derivative security" shall have the meanings ascribed to them in the then-current Rule 16(a) under the Exchange Act.

18.4 *Securities Law Compliance.* With respect to Insiders, transactions under this Plan are intended to comply with all applicable conditions or Rule 16b-3 or its successors under the Exchange Act. To the extent any provision of the Plan or action by the Committee fails to so comply, it shall be deemed null and void, to the extent permitted by law and deemed advisable by the Committee.

18.5 *Governing Law.* To the extent not preempted by Federal law, the Plan, and all agreements hereunder, shall be construed in accordance with and governed by the laws of the State of Wisconsin.

COBALT CORPORATION
401 West Michigan Street, Milwaukee, WI 53203

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned hereby appoints Thomas R. Hefty and Gail L. Hanson, and each of them, proxies of the undersigned with power of substitution, to vote all shares of the common stock the undersigne is entitled to vote at the Annual Meeting of the Shareholders of Cobalt Corporation to be held on May 29, 2002 at 11:00 a.m., and at any adjournments or postponements thereof, as indicated below.

The shares of common stock represented by this proxy will be voted as directed. If no direction is specified, the shares of common stock will be voted FOR Item 1 and FOR Item 2 and in accordance with the best judgment of the proxies named herein on any other business that may properly come before the meeting.

PLEASE MARK, SIGN, DATE AND RETURN THIS PROXY PROMPTLY
***/DETACH BELOW AND RETURN USING THE ENVELOPE PROVIDED*/**

COBALT CORPORATION 2002 ANNUAL MEETING

1. ELECTION OF DIRECTORS:
(for terms expiring at the 2005 Annual Meeting and until their successors are duly elected and qualified)

1 - James L. Forbes
2 - D. Keith Ness
3 - William C. Rupp

// FOR all nominees listed to the left (except as specified below).

// WITHHOLD AUTHORITY to vote for all nominees listed to the left.

(Instructions: To withhold authority to vote for any indicated nominee, write the number(s) of the nominee(s) in the box provided to the right.)

2. AMENDMENTS TO EQUITY INCENTIVE PLAN:
(increasing the number of shares available for grant and providing for an automatic annual grant of options to non-employee directors).
With discretionary power upon all other business that may properly come before the meeting and upon matters incident to the conduct of the meeting.

// FO // AGAINST // ABSTA
R

The Board of Directors recommends a vote FOR Item 1 and a vote FOR Item 2.

Check appropriate box Indicate changes below:
Address Change? // Name Change? //

Date , 2002 NO. OF SHARES

Signature(s) in Box
Please sign exactly as your name appears on this proxy giving your full title if signing as attorney or fiduciary. If shares are held jointly, each joi owner should sign. If a corporation, please sign in full corporate name, by duly authorized officer. If a partnership, please sign in partnership nar by authorized person.

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March 20, 2002 - Cobalt Corporation & American Medical Security Group Announce Plans For Share Repurchase by AMS; Secondary Public Offering of AMS Shares by Cobalt

(Milwaukee, Wis.) – Cobalt Corporation (NYSE: CBZ) and American Medical Security Group, Inc. (NYSE: AMZ) (AMS) announced today that they have entered into an agreement by which AMS will repurchase 1,400,000 of its shares from Cobalt for $18.2 million or $13.00 per share. In addition, Cobalt Corporation has announced that it plans to sell at least 3,000,000 of its AMS shares in an underwritten secondary offering.

Currently, Cobalt Corporation, through its wholly owned subsidiary, Blue Cross & Blue Shield United of Wisconsin, owns 6,309,525, or approximately 45%, of the outstanding AMS shares. Following the repurchase, Cobalt will own 4,909,525, or approximately 39%, of the approximately 12,555,000 then outstanding AMS shares. Assuming a successful secondary offering by Cobalt, if the minimum of 3,000,000 AMS shares were sold, Cobalt would own approximately 1,909,000 shares, or approximately 15% of the approximately 12,555,000 shares then outstanding.

According to AMS, the share repurchase will require no additional financing. The share repurchase is expected to close promptly following the receipt of necessary consents.
Cobalt expects the secondary public offering of its AMS shares will take place in the second quarter of 2002.

"This agreement is in the best interest of both companies," said Thomas R. Hefty, Cobalt's President, Chairman and CEO. "However, AMS is no longer a strategic asset of Cobalt, and this agreement allows us to reduce our position in an orderly fashion."
Samuel V. Miller, AMS Chairman, President & CEO, stated, "We believe these transactions are in the best long-term interest of all AMS shareholders."

As part of the agreement, Cobalt Corporation will withdraw the slate of directors it had nominated for election to AMS' board. In addition, the AMS board of directors has appointed Thomas R. Hefty and Kenneth L. Evason, nominated by Cobalt, to serve as

directors on the AMS board of directors, effective as of the date the share repurchase is closed.

Cobalt has agreed to certain standstill provisions and to vote in favor of the slate of directors nominated by the AMS board of directors, and has also agreed not to present any new AMS shareholder proposals or nominate for election to the company's board of directors any additional directors for a period as specified in the agreement.

Cobalt Corporation is the Blue Cross and Blue Shield licensee for the state of Wisconsin. It is one of the leading, publicly traded health care companies in the nation, offering a diverse portfolio of complementary insurance and managed care products to employer, individual, insurer and government customers. Headquartered in Milwaukee and formed by the combination of Blue Cross & Blue Shield United of Wisconsin and United Wisconsin Services, Inc., Cobalt Corporation serves 2.9 million lives in 50 states.

American Medical Security Group, through its operating subsidiaries, markets health care benefits and insurance products to small businesses, families and individuals. Insurance products of American Medical Security Group are underwritten by United Wisconsin Life Insurance Company. The company serves customers nationwide through partnerships with professional, independent agents and quality health care providers. It provides medical and dental coverage for 557,716 members.

This press release shall not constitute an offer to sell or the solicitation of an offer to buy the shares nor shall there be any sale of the shares in any state in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such state.

Cautionary Statement: This release contains forward-looking statements with respect to the financial condition, results of operations and business of Cobalt Corporation. Such forward-looking statements are subject to inherent risks and uncertainties that may cause actual results or events to differ materially from those contemplated by such forward-looking statements. Factors that may cause actual results or events to differ materially from those contemplated by such forward-looking statements include rising health care costs, business conditions, competition in the managed care industry, developments in health care reform and other regulatory issues.

CONTACT:
Cobalt Corporation
Bill Zaferos, 414/226-5431
Manager
Corporate Communications

AMS

Cliff Bowers, 920/661-2766
Vice President
Corporate Communications

Back


E

[EXECUTION COPY]

STOCK PURCHASE AGREEMENT

By and among

BLUE CROSS & BLUE SHIELD UNITED OF WISCONSIN,

COBALT CORPORATION,

and

AMERICAN MEDICAL SECURITY GROUP, INC.

Dated as of March 19, 2002

STOCK PURCHASE AGREEMENT, dated as of March 19, 2002 (the "Agreement"), by and among Cobalt Corporation, a Wisconsin corporation (the "Seller's Parent"), Blue Cross & Blue Shield United of Wisconsin, a Wisconsin corporation and a wholly-owned subsidiary of Seller's Parent (the "Seller" and, together with the Seller's Parent, the "Seller Group"), and American Medical Security Group, Inc., a Wisconsin corporation (the "Company").

This Agreement sets forth the terms and conditions pursuant to which the Seller shall sell to the Company, and the Company shall purchase from the Seller, an aggregate of 1,400,000 shares of common stock, without par value, of the Company owned by the Seller. The common stock, without par value, of the Company is referred to herein as the "Common Stock". As used in this Agreement, the term "Shares" shall mean the 1,400,000 shares of the Common Stock owned by the Seller to be sold to the Company pursuant to the terms hereof, and the term "Share" shall mean one of the Shares, and the term "Additional Shares" shall mean any shares of the Common Stock (other than the Shares) beneficially owned as of the date of this Agreement by the Seller Group together with any shares of the Common Stock or other voting securities which may be issued and beneficially owned by the Seller Group in respect of such shares of the Common Stock in connection with any stock-split, stock dividend, distribution of any securities, reclassification, recapitalization or other similar transaction of the Company.

In consideration of the mutual agreements contained herein, and for other good and valuable consideration, the parties hereto agree as follows:

ARTICLE I

SALE AND PURCHASE OF THE SHARES

1.01 Sale and Purchase. Subject to the terms and conditions of this Agreement, and in reliance on the other party's representations, warranties, agreements and covenants contained herein, at the closing of the repurchase of the Shares by the Company, as contemplated by this Agreement (the "Closing"), the Seller agrees to sell, transfer and deliver to the Company, and the Company agrees to purchase from the Seller, the Shares, free and clear of all liens, claims, options, proxies, voting agreements, charges and encumbrances of whatever nature affecting the Shares (collectively, "Liens").

1.02 Consideration. Subject to the terms and conditions of this Agreement, and in reliance on the Seller Group's representations, warranties,

agreements and covenants contained herein, and in consideration of the sale, transfer and delivery of the Shares as provided for herein and of the covenants of the Seller Group set forth in Article IV hereof, at the Closing, the Company shall deliver to the Seller, in full payment therefor, a purchase price of U.S. $13.00 per Share, or an aggregate of U.S. $18,200,000 for all of such Shares, payable by wire transfer of immediately available funds to an account designated in writing by the Seller at least two business days prior to the Closing Date (as defined below).

ARTICLE II

THE CLOSING

2.01 Date and Place. Subject to the satisfaction or waiver of all of the conditions to the Closing set forth in Article VII of this Agreement, the Closing shall take place at the offices of Foley & Lardner, Firstar Center, 777 East Wisconsin Avenue, Milwaukee, Wisconsin, as promptly as practicable after the satisfaction or waiver (by the party entitled to waive the condition) of all of the conditions set forth in Article VII hereof (other than those conditions that by their nature are to be fulfilled only at the Closing, but subject to the fulfillment or waiver of all such conditions at the time of the Closing), unless another date and/or place is agreed to in writing by the parties hereto (the "Closing Date").

2.02 Deliveries at the Closing. At the Closing, the Seller shall deliver to the Company stock certificates representing all of the Shares, duly endorsed or accompanied by stock powers relating to such Shares duly executed in blank with appropriate transfer stamps, if any, affixed, with documentations satisfactory to the Company evidencing the transfer of good and valid title to the Shares, free and clear of all Liens, in form acceptable to the Company for transfer on the Company's books. At the Closing, the Company shall deliver to the Seller the cash payment provided for in Section 1.02 hereof.

ARTICLE III

REPRESENTATIONS AND WARRANTIES

3.01 Representations and Warranties of the Seller Group. The Seller and Seller's Parent hereby jointly and severally represent and warrant to the Company as follows:

(a) Each of the Seller and Seller's Parent is a corporation duly organized and validly existing under the laws of the State of Wisconsin and has filed its most recent required annual report and has not filed articles of dissolution. Each of the Seller and the Seller's Parent has the full corporate power and authority to execute, deliver and carry out the terms and provisions of this Agreement and to consummate the transactions contemplated by this Agreement, and has taken all necessary action to authorize the execution, delivery and performance of this Agreement and consummation of the transactions contemplated hereby.

(b) This Agreement has been duly and validly authorized, executed and delivered by each of the Seller and the Seller's Parent, and constitutes a valid and binding obligation of each of the Seller and the Seller's Parent, enforceable in accordance with its terms.

(c) The Seller has complete and unrestricted power and the unqualified right to sell, assign, transfer and deliver the Shares to the Company. The execution, delivery and performance of this Agreement, and the consummation of the transactions contemplated hereby, by each of the Seller and the Seller's Parent do not require any authorization, consent, waiver, approval, exemption, permit or order of or other action by, or notice or declaration to, or filing with, any governmental agency or organization, under any law applicable to the Seller or the Seller's Parent, as appropriate, or any of their respective assets, or of, by or with any other Person (as hereinafter defined), except for (i) notification to the Office of the Commissioner of Insurance of the State of Wisconsin with respect to the repurchase of the Shares by the Company from the Seller, (ii) any filings required to be made under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or any regulations promulgated thereunder, and (iii) where the failure to obtain such authorization, consent, waiver, approval, exemption, permit or order or to make such notice or declaration or filing would not adversely affect the ability of the Seller and the Seller's Parent to consummate or perform the transactions contemplated by this Agreement. As used in this Agreement, the term "Person" means an individual, a corporation, a company, a limited liability company, a partnership, a governmental agency or body, an association, a trust or other entity, group, organization or individual.

(d) The Seller has good and valid title to the Shares, free and clear of all Liens. Upon consummation of the transactions contemplated hereby, the Seller shall deliver to the Company good and valid title to the Shares, free and clear of all Liens.

(e) Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby, in each case with or without the giving of notice or the lapse of time or both, (i) violate or conflict with

any term or provision of the articles of incorporation or by-laws of the Seller or Seller's Parent, (ii) violate or conflict with any statute, law, rule, regulation, order, judgment or decree affecting the Seller or Seller's Parent, (iii) result in the creation of any Lien, liability or obligation upon the Seller, Seller's Parent or the Shares, or (iv) violate or conflict with, constitute a breach or default, or give rise to any right of termination, acceleration of any obligation or amendment under, or require any notice, or result in the loss of material benefit under, any term or provision of any contract, commitment, understanding, arrangement, agreement or restriction of any kind or character to which the Seller or Seller's Parent is a party, by which the Seller or the Seller's Parent is bound or to which any of their respective assets are subject.

(f) As of the date hereof, there are no claims pending or, to the knowledge of the Seller Group, threatened which, if adversely determined, could, directly or indirectly, limit or impair the ability of Seller or Seller's Parent to consummate the transactions contemplated by this Agreement. There are no outstanding or unsatisfied judgments, orders, decrees or stipulations to which the Seller or Seller's Parent is a party that could limit or impair the ability of the Seller or Seller's Parent to consummate the transactions contemplated by this Agreement.

3.02 Representations and Warranties of the Company. The Company hereby represents and warrants to the Seller Group as follows:

(a) The Company is a corporation duly organized and validly existing under the laws of the State of Wisconsin and has filed its most recent required annual report and has not filed articles of dissolution. The Company has the full corporate power and authority to execute, deliver and carry out the terms and provisions of this Agreement and to consummate the transactions contemplated by this Agreement, and has taken all necessary action to authorize the execution, delivery and performance of this Agreement and consummation of the transactions contemplated hereby.

(b) This Agreement has been duly and validly authorized, executed and delivered by the Company and constitutes a valid and binding obligation of the Company, enforceable in accordance with its terms.

(c) The execution, delivery and performance of this Agreement, and the consummation of the transactions contemplated hereby, by the Company do not require any authorization, consent, waiver, approval, exemption, permit or order of, or other action by, or notice or declaration to, or filing with (collectively, "Consents"), any governmental agency or organization, under any law applicable to the Company, or any of its assets or of, by or with any other Person, except for (i) the approval of the Office of the Commissioner of Insurance of the State of Wisconsin approving the extraordinary cash dividends to be declared and

paid by subsidiaries of the Company to the Company to fund the payment to be made by the Company pursuant to Section 1.02 of this Agreement (the "Insurance Regulatory Approval"), (ii) any filings required to be made under the Exchange Act, or any regulations promulgated thereunder, (iii) any Consents required under the Credit Agreement, dated as of March 24, 2000, among the Company, LaSalle Bank National Association and the other Lenders (as amended, the "Credit Agreement"), and (iv) where the failure to obtain such Consent would not adversely effect the ability of the Company to consummate or perform the transactions contemplated by this Agreement.

(d) Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby, in each case with or without the giving of notice or the lapse of time or both, (i) violate or conflict with any term or provision of the articles of incorporation or by-laws of the Company, (ii) violate or conflict with any statute, law, rule, regulation, order, judgment or decree affecting the Company, (iii) result in the creation of any Lien, liability or obligation upon the Company, or (iv) violate or conflict with, constitute a breach or default, or give rise to any right of termination, acceleration of any obligation or amendment under, or require any notice, or result in the loss of material benefit under, any term or provision of any contract, commitment, understanding, arrangement, agreement or restriction of any kind or character to which the Company is a party, by which the Company is bound or to which any of its assets are subject.

(e) The Company has received an opinion of Banc of America Securities LLC, financial advisor to the Company, to the effect that, as of the date hereof, the consideration to be paid by the Company pursuant to Section 1.02 hereof is fair from a financial point of view to the Company and shareholders of the Company (other than Seller's Parent and its subsidiaries).

(f) As of the date hereof, there are no claims pending or, to the knowledge of the Company, threatened which, if adversely determined, could, directly or indirectly, limit or impair the ability of the Company to consummate the transactions contemplated by this Agreement. There are no outstanding or unsatisfied judgments, orders, decrees or stipulations to which the Company is a party that could limit or impair the ability of the Company to consummate the transactions contemplated by this Agreement.

ARTICLE IV

COVENANTS OF THE SELLER GROUP

4.01 Certain Restrictions. Subject to Section 4.06 hereof, each of the Seller and the Seller's Parent jointly and severally covenants and agrees with the Company that, for so long as the Seller Group shall have, at least one Seller-Nominated Director on the Board of Directors of the Company pursuant to Section 6.01 hereof, it shall not, and shall cause its respective directors, officers, affiliates and, on its behalf, representatives, agents and advisors not to, whether individually or as part of any "group" (within the meaning of Section 13(d)(3) of the Exchange Act), directly or indirectly:

(a) purchase, offer to purchase or otherwise acquire or offer or agree to acquire any shares of the Common Stock or other securities of the Company which are entitled to vote generally for the election of directors, or any securities which are convertible or exchangeable into or exercisable for any securities of the Company which are entitled to vote generally for the election of directors (the Common Stock, together with such other securities, are referred to herein as "Voting Securities");

(b) (i) (x) make, or in any way participate, directly or indirectly, in any "solicitation" (as such term is used in the proxy rules of the Securities and Exchange Commission ("SEC") as in effect on the date hereof) of proxies or consents, (y) seek to advise, encourage or influence any Person with respect to the voting (either at a meeting or by written consent) of any Voting Securities, or (z) initiate, propose or otherwise "solicit" (as such term is used in the proxy rules of the SEC as in effect on the date hereof) shareholders of the Company, in each case for (A) the election of Persons to the Board of Directors or (B) the approval of shareholder proposals, whether made pursuant to Rule 14a-8 of the Exchange Act or otherwise, or (ii) induce or attempt to induce any other Person to initiate any such solicitation for the election of Persons to the Board of Directors or the approval of shareholder proposals or otherwise communicate with the Company's shareholders pursuant to Rule 14a-2(a) or (b) under the Exchange Act; provided, however, that, subject only to Section 4.02 hereof, nothing in this Section 4.01(b) shall prohibit or otherwise limit the Seller Group's ability to vote its Additional Shares in connection with any solicitation by or on behalf of the Board of Directors of the Company; and provided, further, that, notwithstanding any other provision in this Agreement, the provisions of this Section 4.01(b) with respect to the election of Persons to the Board of Directors shall terminate upon the later to occur of (i) December 31, 2003 and (ii) the date upon which the Seller Group shall no longer have any Seller-Nominated Directors on the Board of Directors of the Company pursuant to Section 6.01 hereof;

(c) without the prior consent of the Company, seek, propose, or make any statement that is critical of management of the Company or reasonably likely to be publicly disclosed with respect to, any merger, consolidation, business combination, tender or exchange offer, sale or purchase of assets, sale or purchase of securities, dissolution, liquidation, reorganization, restructuring, recapitalization, change in capitalization, change in corporate structure or business or similar transaction or other extraordinary transaction involving the Company or its subsidiaries; provided, however, that nothing in this Agreement shall prohibit or otherwise limit the Seller Group's right to seek or propose the sale of, or sell any of its Additional Shares;

(d) deposit any Voting Securities in any voting trust or subject any Voting Securities to any arrangement or agreement with respect to the voting of any Voting Securities, except as set forth in this Agreement, other than a voting trust, arrangement or agreement that is not formed for the purpose of taking, and does not result in the taking of, any of the actions prohibited by this Section 4.01;

(e) call or seek to have called any meeting of the shareholders of the Company;

(f) otherwise act to control or seek to control or influence or seek to influence the management, Board of Directors or policies of the Company, other than as provided in Section 6.01 hereof or make any statement that is critical of any of the Persons nominated by the Board of Directors of the Company for election as directors of the Company;

(g) seek representation on the Board of Directors of the Company, or seek the removal of any member of such Board or a change in the composition or size of such Board, other than as provided in Section 6.01 hereof; provided, however, that, notwithstanding any other provision in this Agreement, the provisions of this Section 4.01(g) shall terminate upon the later to occur of (i) December 31, 2003 and (ii) the date upon which the Seller Group shall no longer have any Seller-Nominated Directors on the Board of Directors of the Company pursuant to Section 6.01 hereof;

(h) make any publicly disclosed proposal, comment, statement or communication (including, without limitation, any request to amend, waive or terminate any provision of this Agreement other than Section 4.01), or make any proposal, comment, statement or communication (including, without limitation, any request to amend, waive or terminate any provision of this Agreement other than Section 4.01) in a manner that would require any public disclosure by the Company, the Seller, the Seller's Parent or any other Person, or enter into any

discussion with any Person (other than the then current directors and officers of the Company), regarding any of the foregoing;

(i) have any discussions or communications, or enter into any arrangements, understandings or agreements (whether written or oral) with, or advise, finance, assist, encourage or act in concert with, any other Person in connection with any of the foregoing or make any investment in any Person for the purpose of engaging in any of the foregoing, or take any action inconsistent with the foregoing; or

(j) make any written request, or any request to the Board of Directors of the Company, written or oral, to amend, waive or terminate any of the foregoing or disclose any request to amend, waive or terminate any of the foregoing to any Person, other than oral disclosure to management of the Company in a manner that would not require any public disclosure by the Company, the Seller, the Seller's Parent or any other Person.

4.02 Voting of Additional Shares. Subject to Section 4.06 hereof, the Seller Group agrees that, until the date on which the Seller Group shall beneficially own less than 10% of the then issued and outstanding shares of the Common Stock and each of the Seller-Nominated Directors (as hereinafter defined) shall have resigned from the Board and any Committee thereof, all of the Additional Shares beneficially owned by any the Seller Group (a) shall be present, in person or by proxy, at all of the annual and special meetings of shareholders of the Company at which directors will be elected in order to participate in a quorum at such meetings, and (b) shall be voted on the election of directors at any such meeting, and consented to on the election of directors, if submitted to shareholders for action by consent of shareholders without a meeting, in favor of each of the nominees recommended by the Board of Directors of the Company; provided, however, that, notwithstanding the foregoing, (i) the Seller Group may vote Additional Shares as it determines, in its sole discretion, on any matter other than the election of directors and (ii) the Seller Group may vote Additional Shares as it determines, in its sole discretion, at any annual or special meeting of shareholders, and may act by written consent, on the election of directors in the event that the Company shall then be in material breach of its obligations under Section 6.01 hereof.

4.03 Cooperation Regarding Regulatory Filings. The Seller Group (i) shall file the necessary documentation with the Office of the Commissioner of Insurance of the State of Wisconsin and shall use commercially reasonable efforts to obtain any approval required in connection with the Share repurchase as soon as reasonably practicable following the date of this Agreement and (ii) shall cooperate with the Company in preparing any filings made in connection with obtaining the

Insurance Regulatory Approval, and in responding to any inquiries of the Office of the Commissioner of Insurance of the State of Wisconsin relating thereto.

4.04 Cooperation Regarding Consents. Each of the Seller Group shall use commercially reasonable efforts to obtain all Consents of all governmental authorities and all third parties required in connection with the consummation of the transactions contemplated by this Agreement. Notwithstanding the foregoing, none of the Seller Group shall have any obligation to pay any fee to any third party (which does not include filing or other fees payable by the Seller Group to governmental authorities) for the purpose of obtaining any Consent or any costs and expenses of any third party resulting from the process of obtaining such Consents. Each of the Seller Group shall make or cause to be made all filings and submissions under laws and regulations applicable to it as may be required for the consummation of the transactions contemplated by this Agreement.

4.05 Withdrawal of Nomination Notice. The Seller hereby agrees to irrevocably withdraw, concurrently with the execution of this Agreement, the Seller's notice, dated January 28, 2002, of its intent to nominate directors at the Company's next annual meeting of shareholders, by executing and delivering to the Company a withdrawal letter in the form attached hereto as Exhibit A (the "Withdrawal Letter").

4.06 Seller Group's Right to Terminate. Notwithstanding anything to the contrary contained herein, the Seller Group shall have the right, effective at any time after December 31, 2002, upon thirty (30) days' prior written notice to the Company, to terminate the covenants and agreements set forth in Sections 4.01 and 4.02 hereof (other than the covenants and agreements in Sections 4.01(b) (with respect to the election of directors) and 4.01(g), which may not be terminated hereunder until after December 31, 2003); provided, however, that, in the event that the Company shall be in material breach of this Agreement, the Seller Group shall have the right, upon thirty (30) days' prior written notice to the Company, to terminate the covenants and agreements set forth in Sections 4.01 and 4.02 hereof at any time after the date hereof (other than the covenants and agreements in Sections 4.01(b) (with respect to the election of directors) and 4.01(g), which may not be terminated hereunder until after December 31, 2003); provided, further, that in the event of any termination pursuant to this Section 4.06, each Seller-Nominated Director then serving as a director on the Company's Board of Directors shall have resigned from the Company's Board of Directors, effective immediately on the date on which such notice is given, pursuant to the Resignation Letter (as hereinafter defined) delivered by such Seller-Nominated Director.

ARTICLE V

COVENANTS OF THE COMPANY

5.01 Regulatory Approval. The Company shall file the necessary documentation with the Office of the Commissioner of Insurance of the State of Wisconsin and shall use commercially reasonable efforts to obtain the Insurance Regulatory Approval as soon as reasonably practicable following the date of this Agreement.

5.02 Cooperation Regarding Consents. The Company shall use commercially reasonable efforts to obtain all Consents of all governmental authorities and all third parties required in connection with the consummation of the transactions contemplated by this Agreement. Notwithstanding the foregoing, the Company shall not have any obligation to pay any fee to any third party (which does not include filing or other fees payable by the Company to governmental authorities) for the purpose of obtaining any Consent or any costs and expenses of any third party resulting from the process of obtaining such Consents. The Company shall make or cause to be made all filings and submissions under laws and regulations applicable to it as may be required for the consummation of the transactions contemplated by this Agreement.

5.03 Rights Agreement Amendment. If, immediately upon consummation of the Secondary Sale, the Seller Group shall own more than twelve percent (12%) of the then issued and outstanding shares of Common Stock, the Company shall execute an amendment to the Rights Agreement between the Company and Firstar Bank, N.A., dated as of August 9, 2001, as amended (the "Rights Agreement"), substantially in the form attached hereto as Exhibit B (the "Amendment"), which shall provide that the definition of "Acquiring Person" shall be amended to mean any Person beneficially owning such percentage of issued and outstanding shares of Common Stock as is equal to the lesser of (i) 20% of the issued and outstanding shares of Common Stock or (ii) the percentage (rounded up to the nearest whole number) of the then issued and outstanding shares of Common Stock beneficially owned by the Seller Group immediately upon consummation of the Secondary Sale. The Company shall deliver the Amendment to the Rights Agent for execution, together with the certificate required by Section 27 of the Rights Agreement, and shall use commercially reasonable efforts to take all other actions necessary to effect such amendment. The Seller Group acknowledges and agrees that, to the extent that following consummation of the Secondary Sale, the Seller Group's percentage ownership of Common Stock thereafter decreases, the Company shall have the right from time to time to further amend the Rights Agreement to lower the definition of "Acquiring Person" to the percentage (rounded up to the

nearest whole number) of the issued and outstanding shares of Common Stock then beneficially owned by the Seller Group.

ARTICLE VI

CERTAIN AGREEMENTS

6.01 Board Representation.

(a) Prior to execution of this Agreement, the Board of Directors of the Company (the "Board") has taken all actions necessary to increase the size of the Board to fourteen (14) directors and cause Thomas R. Hefty and Kenneth L. Evason to become directors of the Company, effective immediately following consummation of the purchase and sale of Shares at the Closing, to fill the vacancies created by such increase in size of the Board. Thomas R. Hefty shall be included in the class of directors whose terms expire at the second annual meeting of shareholders following the Closing Date, and Kenneth L. Evason shall be included in the class of directors whose terms expire at the third annual meeting of shareholders following the Closing Date. Each of Thomas R. Hefty and Kenneth L. Evason (or any successor of Thomas R. Hefty or Kenneth L. Evason pursuant to Section 6.01(c) hereof) and each Seller Nominee (as hereinafter defined) elected to the Board pursuant to Section 6.01(b) shall be referred to as a "Seller-Nominated Director" herein.

(b) Subject to Section 4.06, for so long as the Seller Group beneficially owns 20% or more of the then outstanding shares of Common Stock, the Seller Group shall be entitled to designate two (2) nominees to the Board, which nominees shall be reasonably acceptable to the Company ("Seller Nominees"), and the Company shall use its best efforts to take all action necessary so that such Seller Nominees shall be nominated for election or re-election to the Board, as the case may be. Subject to Section 4.06, for so long as the Seller Group beneficially owns 10% or more, but less than 20%, of the then issued and outstanding shares of the Common Stock, the Seller Group shall be entitled to designate only one (1) nominee to the Board, which nominee shall be reasonably acceptable to the Company, and the Company shall use its best efforts to take all action necessary so that such Seller Nominee shall be nominated for election or re-election to the Board, as the case may be. If the Seller Group at any time beneficially owns less than 10% of the then issued and outstanding shares of the Common Stock, then the Seller Group shall not be entitled to designate any directors to the Board, and the Seller Group shall cause each of the Seller-Nominated Directors (including any successors pursuant to Section 6.01(c)) to immediately resign from the Board and any Committee thereof.

The Seller Group shall notify the Company in writing promptly in the event that, at any time, the Seller Group shall (i) own 10% or more, but less than 20%, of the then issued and outstanding shares of Common Stock, and (ii) own less than 10% of the then issued and outstanding shares of Common Stock. In the event that the Company requests the Seller Group to inform the Company of the number of shares of Common Stock then beneficially owned by the Seller Group, the Seller Group shall promptly provide such information to the Company. For purposes of this Section 6.01, Thomas R. Hefty and Kenneth L. Evason shall be deemed "reasonably acceptable to the Company."

(c) In the event that any Seller-Nominated Director shall cease to serve as a director as a result of the death, removal or resignation of such Seller-Nominated Director (other than by reason of the fact that the Seller Group no longer has a right to designate any directors to the Board or the fact that the Seller Group is entitled to designated fewer directors to the Board pursuant to Section 6.01(b)), the vacancy created thereby shall be filled by a designee nominated by the Seller Group, which nominee shall be reasonably acceptable to the Company. Upon the appointment of any such nominee to the Board, such nominee shall be a "Seller Nominated Director" hereunder, and all of the provisions of this Section 6.01 shall apply to such nominee, including, without limitation, Section 6.01(e).

(d) The Company shall provide the Seller with notice of the estimated mailing date for proxy materials relating to an annual meeting of shareholders at which a Seller Nominee may be considered for election or re-election at least 10 business days prior to such mailing date. The Seller shall provide in a timely manner all information required by Regulation 14A and Schedule 14A under the Exchange Act with respect to any Seller Nominee.

(e) Prior to nomination to the Board, (i) Thomas R. Hefty (and any successor of Thomas R. Hefty pursuant to Section 6.01(b) or (c) hereof) shall execute and deliver to the Company a resignation letter, in the form attached hereto as Exhibit C-1, which shall provide that Thomas R. Hefty (or any successor of Thomas R. Hefty pursuant to Section 6.01(b) or (c) hereof) shall resign effective immediately upon the earlier of (x) the date upon which the Seller Group shall deliver written notice to the Company that it is exercising its right, pursuant to Section 4.06, to terminate the covenants and agreements set forth in Sections 4.01 and 4.02 hereof and (y) the first date that the Seller owns less than 20% of the then issued and outstanding shares of the Common Stock and (ii) Kenneth L. Evason (and any successor of Kenneth L. Evason pursuant to Section 6.01(b) or (c) hereof) shall execute and deliver to the Company a resignation letter, in the form attached hereto as Exhibit C-2, which shall provide that Kenneth L. Evason (or any successor of Kenneth L. Evason pursuant to Section 6.01(b) or (c) hereof) shall resign effective immediately upon the earlier of (x) the date upon which the Seller Group shall

deliver written notice to the Company that it is exercising its right, pursuant to Section 4.06, to terminate the covenants and agreements set forth in Sections 4.01 and 4.02 hereof and (y) the first date that the Seller owns less than 10% of the then issued and outstanding shares of the Common Stock. Notwithstanding any other provision of this Agreement, from and after the date upon which the Seller Group shall deliver written notice to the Company that it is exercising its right, pursuant to Section 4.06, to terminate the covenants and agreements set forth in Sections 4.01 and 4.02 hereof, the Seller shall no longer have the right to designate any Seller-Nominated Directors pursuant to this Agreement, and the resignation of each Seller-Nominated Director then in office shall become immediately effective on such date.

(f) In the event that the Seller Group shall deliver written notice to the Company that it is exercising its right, pursuant to Section 4.06, to terminate the covenants and agreements set forth in Sections 4.01 and 4.02 hereof, the provisions of this Section 6.01 shall terminate immediately and shall be of no further force and effect.

6.02 Private Placement. If, at any time following the date hereof and irrespective of whether the Secondary Sale has been consummated, the Seller chooses to sell any of its Additional Shares pursuant to a private placement to reduce its holdings of the Common Stock, the Company shall cooperate to facilitate such sale at mutually agreed upon terms and conditions, subject to receipt by the Company of a confidentiality agreement, in form and substance reasonably satisfactory to the Company, duly executed by the prospective purchaser in such private placement.

6.03 Registration.

(a) Promptly following the date hereof, the Seller and the Company shall cooperate to prepare and file with the SEC a registration statement, including all exhibits and financial statements required to be filed therewith, to effect the registration and sale of at least three million (3,000,000) Additional Shares, with the exact number of Additional Shares to be sold to be as many Additional Shares as the Underwriters (as hereinafter defined) advise may be sold therein (the "Secondary Sale"), and to cause such registration statement to become effective under the Securities Act of 1933, as amended (the "Securities Act") as expeditiously as possible following the date hereof. The Company and the Seller hereby agree to use commercially reasonable efforts to complete the Secondary Sale as promptly as reasonably practicable on commercially reasonable terms, mutually acceptable to the parties, in order to sell as many Additional Shares as the Underwriters advise may be sold therein. The registration of Additional Shares contemplated by this Section 6.01(a) shall be conducted pursuant to the terms and conditions of the Registration Rights Agreement by and between the Seller and the Company dated as of

September 1, 1998 (the "Registration Rights Agreement"), including, without limitation, Section 1.05 thereof; provided, however, that (i) the engagement of the Underwriters shall be determined pursuant to Section 6.03(b); (ii) payment of expenses incurred in connection with the Secondary Sale shall be determined pursuant to Section 6.03(c); (iii) the registration of Additional Shares contemplated herein shall be considered a registration pursuant to Section 1.02 of the Registration Rights Agreement, and Section 1.02 of the Registration Rights Agreement shall otherwise apply to the registration of Additional Shares contemplated herein; except that, notwithstanding the foregoing, in the event the Secondary Sale is not effected, other than as a result of a breach of this Section 6.03 by the Seller Group, then the registration of Additional Shares contemplated herein shall not be considered a registration pursuant to Section 1.02 of the Registration Rights Agreement; and (iv) the Company shall not sell securities for its own account in the registration of Additional Shares contemplated herein and shall not permit the sale of any securities other than the Additional Shares in such registration.

(b) Seller's Parent shall engage the following lead managing underwriters for the Secondary Sale: CIBC Oppenheimer Corp., Robert W. Baird & Co., Incorporated and one other underwriter reasonably acceptable to the Company (collectively, the "Underwriters").

(c) Except for all underwriters' discounts, fees and commissions related to the Secondary Sale, which shall be borne exclusively by the Seller, all reasonable out-of-pocket registration, qualification, legal, printers', extraordinary accounting and other reasonable, out-of-pocket fees and expenses required to be disclosed in connection with the Secondary Sale by Item 511 of Regulation S-K under the Securities Act ("Expenses"), up to an aggregate of U.S. $650,000 of Expenses, shall be borne by the Company; and any Expenses incurred in excess of such U.S. $650,000 amount shall be borne equally by the Company and the Seller.

(d) In the event that, prior to the consummation of the Secondary Sale, the Board shall receive an unsolicited bona fide, written offer to acquire all of the outstanding shares of Common Stock at a price, to be paid in cash, in excess of the then current market price of the Common Stock, the Seller Group shall have the right to postpone the Secondary Sale for a period of ten (10) business days in order to give the Board an opportunity to review and evaluate such offer. In the event the Board approves such offer, the Seller Group shall have the right to terminate the Secondary Sale.

6.03. Press Release. The Company and the Seller's Parent hereby agree to jointly issue, concurrently with the execution of this Agreement, a mutually

acceptable joint press release regarding the transactions contemplated hereby, in substantially the form attached as Exhibit D hereto.

ARTICLE VII

CONDITIONS TO CLOSING

7.01 Conditions to the Obligations of the Company and the Seller Group. The obligations of the Company and the Seller Group to effect the Closing are subject to the satisfaction (or waiver, to the extent permitted by applicable law) at or prior to the Closing of the following conditions:

(a) No Injunctions; Orders. There shall not be in effect any order, writ, judgment, injunction or decree entered by any governmental agency or organization or arbitrator of competent jurisdiction that prohibits or enjoins the transactions contemplated by this Agreement.

(b) Approvals. All waiting periods shall have expired or have been earlier terminated and all required Consents of governmental authorities of appropriate jurisdiction and of all third parties shall have been obtained, including, without limitation, the Insurance Regulatory Approval and the Consent under the Credit Agreement.

7.02 Conditions to the Obligations of the Company. The obligation of the Company to effect the Closing is further subject to the satisfaction (or waiver by the Company, to the extent permitted by applicable law) at or prior to the Closing of the following conditions:

(a) Representations, Warranties and Covenants. The representations and warranties of the Seller Group contained herein shall be true and correct in all material respects as of the date of this Agreement and as of the Closing Date as if made as of the Closing Date, and the covenants and agreements of the Seller Group to be performed at or prior to the Closing shall have been duly performed in all material respects.

(b) Pending Litigation. No action shall be pending by any Person (i) seeking to enjoin or prohibit the performance of this Agreement or the consummation of the transactions contemplated hereby or (ii) seeking material damages from the Company as a result of the performance of this Agreement or the consummation of the transactions contemplated hereby.

(c) Resignation Letters. The Company shall have received resignation letters, in the form of Exhibits C-1 and C-2 hereto, duly executed by Thomas R. Hefty and Kenneth L. Evason, respectively.

(d) Withdrawal Letter. The Company shall have received the Withdrawal Letter, in the form of Exhibit A hereto, duly executed by an authorized officer of Seller.

7.03 Conditions to the Obligations of the Seller Group. The obligation of the Seller Group to effect the Closing is further subject to the satisfaction (or waiver by the Seller, to the extent permitted by applicable law) at or prior to the Closing of the following conditions:

(a) Representations, Warranties and Covenants. The representations and warranties of the Company contained herein shall be true and correct in all material respects as of the date of this Agreement and as of the Closing Date as if made as of the Closing Date, and the covenants and agreements of the Company to be performed at or prior to the Closing shall have been duly performed in all material respects.

(b) Pending Litigation. No action shall be pending by any Person (i) seeking to enjoin or prohibit the performance of this Agreement or the consummation of the transactions contemplated hereby or (ii) seeking material damages from the Seller Group as a result of the performance of this Agreement or the consummation of the transactions contemplated hereby.

ARTICLE VIII

MISCELLANEOUS

8.01 Indemnification.

(a) Indemnification by Company. The Company agrees to indemnify and hold harmless, to the full extent permitted by law, Seller, Seller's Parent, and the Underwriters, and their respective officers and directors, and each Person who controls (within the meaning of the Securities Act or the Exchange Act) any of the foregoing Persons (each, an "Indemnified Party" and collectively, the "Indemnified Parties"), from and against any and all losses, claims, damages, liabilities and expenses, joint or several (including reasonable costs of investigation and legal expenses) (each, a "Loss" and collectively "Losses"), arising out of or based upon (i) any untrue or alleged untrue statement of a material fact contained in the registration statement under which the Additional Shares are registered under the

Securities Act in connection with the Secondary Sale contemplated hereby (including any final, preliminary or summary prospectus contained therein or any amendment thereof or supplement thereto or any documents incorporated by reference therein), or (ii) any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein (in the case of a prospectus or preliminary prospectus, in light of the circumstances under which they were made) not misleading; provided, however, that the Company shall not be liable in any such case to the extent that any such Loss arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in any such registration statement in reliance upon information furnished to the Company by the Seller Group for inclusion therein or the Seller Group's failure to deliver a copy of the registration statement (or prospectus or any amendments or supplements thereto) after the Company has furnished the Seller Group with a sufficient number of copies of the same.

(b) Indemnification by the Seller Group. Seller and Seller's Parent agree to jointly and severally indemnify and hold harmless, to the full extent permitted by law, the Company, its directors and officers and each Person who controls the Company (within the meaning of the Securities Act and the Exchange Act) from and against any Losses arising out of or based on any untrue or alleged untrue statement of a material fact contained in, or any omission or alleged omission of a material fact required to be stated in, the registration statement under which the Additional Shares are registered under the Securities Act in connection with the Secondary Sale contemplated hereby (including any final, preliminary or summary prospectus contained therein or any amendment thereof or supplement thereto or any documents incorporated by reference therein), or necessary to make the statements therein (in the case of a prospectus or preliminary prospectus, in light of the circumstances under which they were made) not misleading, to the extent, but only to the extent, that such untrue or alleged untrue statement or omission or alleged omission is made in reliance upon information furnished to the Company by the Seller Group for inclusion therein. In no event shall the liability of the Seller Group be greater in amount than the dollar amount of the proceeds received by the Seller Group under the sale of the Additional Shares in connection with the Secondary Sale contemplated hereby.

(c) Conduct of Indemnification Proceedings. Any Person entitled to indemnification hereunder shall (i) give prompt written notice to the indemnifying party of any claim with respect to which it seeks indemnification (provided, that any delay or failure to so notify the indemnifying party shall relieve the indemnifying party of its obligations hereunder only to the extent, if at all, that it is actually prejudiced by reason of such delay or failure) and (ii) permit such indemnifying party to assume the defense of such claim with counsel reasonably satisfactory to the indemnified party; provided, however, that any Person entitled to

indemnification hereunder shall have the right to select and employ separate counsel and to participate in the defense of such claim, but the fees and expenses of such counsel shall be at the expense of such Person unless (A) the indemnifying party has agreed in writing to pay such fees or expenses, (B) the indemnifying party shall have failed to assume the defense of such claim within a reasonable time after receipt of notice of such claim from the Person entitled to indemnification hereunder and employ counsel reasonably satisfactory to such Person, (C) the indemnified party has reasonably concluded (based on advice of counsel) that there may be legal defenses available to it or other indemnified parties that are different from or in addition to those available to the indemnifying party, or (D) in the reasonable judgment of any such Person, based upon advice of its counsel, a conflict of interest may exist between such Person and the indemnifying party with respect to such claims (in which case, if the Person notifies the indemnifying party in writing that such Person elects to employ separate counsel at the expense of the indemnifying party, the indemnifying party shall not have the right to assume the defense of such claim on behalf of such Person). If such defense is not assumed by the indemnifying party, the indemnifying party will not be subject to any liability for any settlement made without its consent, but such consent may not be unreasonably withheld. If the indemnifying party assumes the defense, the indemnifying party shall have the right to settle such action without the consent of the indemnified party; provided, however, that the indemnifying party shall be required to obtain such consent (which consent shall not be unreasonably withheld) if the settlement includes any admission of wrongdoing on the part of the indemnified party or any decree or restriction on the indemnified party or its officers or directors. No indemnifying party shall consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such indemnified party of an unconditional release from all liability in respect to such claim or litigation or which would impose any material obligations on such indemnified party (given against an appropriate cross-release). Except as provided above it is understood that the indemnifying party or parties shall not, in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the reasonable fees, disbursements and other charges of more than one separate firm admitted to practice in such jurisdiction at any one time from all such indemnified party or parties unless the employment of more than one counsel has been authorized in writing by the indemnified party or parties.

(d) Contribution. If for any reason the indemnification provided for in Section 8.01(a) or Section 8.01(b) is unavailable to an indemnified party, other than as specified therein, then the indemnifying party shall contribute to the amount paid or payable by the indemnified party as a result of such Loss in such proportion as is appropriate to reflect the relative fault of the indemnifying party on the one hand and the indemnified party on the other. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue

statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the indemnifying party or the indemnified party and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such untrue statement or omission. Notwithstanding anything in this Section 8.01(d) to the contrary, no indemnifying party (other than the Company) shall be required pursuant to this Section 8.01(d) to contribute any amount in excess of the amount by which the net proceeds received by such indemnifying party from the sale of Additional Shares in connection with the Secondary Sale contemplated hereby exceeds the amount of any Losses which such indemnifying party has otherwise been required to pay by reason of such untrue statement or omission. The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 8.01(d) were determined by pro rata allocation or by any other method of allocation that does not take account of the equitable considerations referred to in this Section 8.01(d). No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation.

8.02 Survival. All representations, warranties, agreements and covenants made by each of the parties pursuant to this Agreement shall survive the Closing hereunder.

8.03 Expenses. Except as provided in Section 6.02(c), all fees and expenses incurred by either the Seller or Seller's Parent in connection with this Agreement (including, without limitation, any applicable stock transfer taxes) shall be borne by the Seller Group, and all fees and expenses incurred by the Company in connection with this Agreement shall be borne by the Company.

8.04 Commissions and Fees. Except as provided in Section 6.02(c), each of the Company, on the one hand, and the Seller and Seller's Parent, on the other hand, represents and warrants that there are no claims for any brokerage commissions, fees or like payments in connection with the transactions contemplated by this Agreement, except that the Company has engaged Banc of America Securities LLC and the Seller and Seller's Parent have engaged Bear, Stearns & Co. Inc., in each case to render financial advisory services in connection with the transactions contemplated hereby, and the Company is solely responsible for all amounts due Banc of America Securities LLC, (including, without limitation, fees, expenses and other amounts related to the fairness opinion of Banc of America Securities, LLC referenced in Section 3.02(e), which fees, expenses and other amounts shall not be considered Expenses for purposes of this Agreement) and the Seller and Seller's Parent are solely responsible for all amounts due Bear, Stearns & Co. Inc., as a result thereof. Each of the Company, on the one hand, and the Seller and Seller's Parent, on the other hand, shall pay or discharge, and shall indemnify

and hold harmless the other from and against, any and all claims or liabilities for any other brokerage commissions, fees or other like payments incurred by reason of any action taken by the other hereunder.

8.05 Entire Agreement and Amendment. This Agreement and the Registration Rights Agreement, together with all exhibits hereto, contain the entire understanding of the parties with respect to its subject matter. There are no restrictions, agreements, promises, representations, warranties, covenants or undertakings other than those expressly set forth herein and in the Registration Rights Agreement. This Agreement supersedes all prior written or oral agreements or understandings between the parties with respect to its subject matter, other than the Registration Rights Agreement. This Agreement may not be amended, modified or supplemented except upon the execution and delivery of a written amendment executed by the Company, the Seller and Seller's Parent.

8.06 Assignment; Binding Effect. This Agreement shall not be assigned or delegated by either party hereto, and any attempted assignment or delegation shall be null and void. This Agreement shall be binding upon and inure to the benefit of, and be enforceable by, the successors of each of the parties hereto.

8.07 Waiver of Compliance. Any failure of the Company, on the one hand, or the Seller or Seller's Parent, on the other hand, to comply with any obligation, covenant, agreement or condition herein may be waived by the Seller on behalf of the Seller Group or the Company, as the case may be, only by a written instrument signed by the party granting such waiver, but such waiver or failure to insist upon strict compliance with such obligation, covenant, agreement or condition shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure.

8.08 Descriptive Headings. Descriptive headings in this Agreement are for convenience only and shall not control or affect the meaning or construction of any provision of this Agreement.

8.09 Notices. All notices and other communications hereunder shall be in writing and shall be deemed given if delivered personally, by facsimile transmission (except for legal process), or mailed (registered or certified mail, postage prepaid, return receipt requested) to the respective parties at the following addresses:

If to the Company:

American Medical Security Group, Inc.
3100 AMS Boulevard
P.O. Box 19032
Facsimile No.: (920) 661-1131
Attention: Timothy J. Moore, Esquire

with copies to:

Skadden, Arps, Slate, Meagher & Flom LLP
Four Times Square
New York, NY 10036-6522
Facsimile No.: (917) 777-2322
Attention: Paul T. Schnell, Esq.

If to the Seller:

Blue Cross & Blue Shield United of Wisconsin
401 West Michigan Street
Milwaukee, Wisconsin 53203
Facsimile No.: (414) 226-2697
Attention: Stephen E. Bablitch, Esquire

with a copy to:

Foley & Lardner
Firstar Center
777 East Wisconsin Avenue
Milwaukee, Wisconsin 53202-5367
Facsimile No.: (414) 297-4900
Attention: Joseph C. Branch, Esquire

If to the Seller's Parent:

Cobalt Corporation
401 West Michigan Street
Milwaukee, Wisconsin 53203
Facsimile No.: (414) 226-2697
Attention: Stephen E. Bablitch, Esquire

with a copy to:

Foley & Lardner
Firstar Center
777 East Wisconsin Avenue
Milwaukee, Wisconsin 53202-5367
Facsimile No.: (414) 297-4900
Attention: Joseph C. Branch, Esquire

or to such other address as either party hereto may, from time to time, designate in a written notice given in the manner provided for herein.

8.10 Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Wisconsin, without regard to its rules regarding conflict of laws.

8.11 Counterparts. For the convenience of the parties, this Agreement may be executed in counterparts and each such executed counterpart shall be, and shall be deemed to be, an original instrument.

8.12 Specific Performance. The Seller, the Seller's Parent and the Company each acknowledges and agrees that the other party would be irreparably injured by a breach of this Agreement by the other party or its representatives and that money damages are an inadequate remedy for an actual or threatened breach of this Agreement because of the difficulty of ascertaining the amount of damage that will be suffered by either party in the event that this Agreement is breached. Therefore, each party agrees to the granting of specific performance of this Agreement and injunctive or other equitable relief in favor of the other party as a remedy for any such breach, without proof of actual damages, and each party further waives any requirement for the securities or posting of any bond in connection with any such remedy. Such remedy shall not be deemed to be the exclusive remedy for a party's breach of this Agreement, but shall be in addition to all other remedies available at law or equity to the other party.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by the parties hereto as of the date first above written.

BLUE CROSS & BLUE SHIELD UNITED OF WISCONSIN

By:_____
Name:
Title:

COBALT CORPORATION

By:_____
Name:
Title:

AMERICAN MEDICAL SECURITY GROUP, INC.

By:_____
Name:
Title:

Exhibit A

FORM OF WITHDRAWAL LETTER

[BCBSUW letterhead]

March 19, 2002

Mr. Tim Moore, Secretary
American Medical Security Group, Inc.
3100 AMS Boulevard
Green Bay, WI 54313

Re: Withdrawal of Notice of Intent to Submit Nominations

Dear Tim:

Reference is made to the notice submitted to American Medical Security Group, Inc. (the "Company") by Blue Cross & Blue Shield United of Wisconsin ("BCBSUW") on January 28, 2002, stating the intent of BCBSUW to nominate four persons for election to the Company's Board of Directors at the Company's next annual meeting of shareholders (the "Notice"). Please be advised that BCBSUW hereby irrevocably withdraws the Notice and thereby will not propose such nominees for election.

BLUE CROSS & BLUE SHIELD UNITED
OF WISCONSIN

By:_____
Name:
Title:

Exhibit B

AMENDMENT TO RIGHTS AGREEMENT

AMENDMENT, dated as of _____, 2002, to Rights Agreement by and between American Medical Security Group, Inc., a Wisconsin corporation (the "Company"), and Firstar Bank, N.A., as Rights Agent, dated as of August 9, 2001, as amended (the "Rights Agreement").

WHEREAS, Firstar Bank, N.A. and the Company entered into a Termination Agreement, dated as of December 21, 2001, terminating the appointment of Firstar Bank, N.A. as Rights Agent under the Rights Agreement;

WHEREAS, LaSalle Bank National Association, a national banking association (the "Rights Agent"), and the Company entered into an Appointment and Assumption Agreement, dated as of December 17, 2001, appointing LaSalle Bank National Association as Rights Agent;

WHEREAS, the Company, Cobalt Corporation and Blue Cross & Blue Shield United of Wisconsin entered into a Stock Purchase Agreement, dated as of March 19, 2002 (the "Stock Purchase Agreement"), providing for this amendment to the Rights Agreement;

WHEREAS, the Company and the Rights Agent desire to formally amend the Rights Agreement, in accordance with Section 27 of the Rights Agreement, as contemplated by the Stock Purchase Agreement;

NOW, THEREFORE, in consideration of the mutual agreements contained herein, and for other good and valuable consideration, the parties hereto agree as follows:

1. The definition of "Acquiring Person" in Section 1(a) of the Rights Agreement is hereby replaced by the following definition:

> "Acquiring Person" shall mean any Person (as such term is hereinafter defined) who or which, together with all Affiliates and Associates (as such terms are hereinafter defined) of such Person, shall become the Beneficial Owner (as such term is hereinafter defined) of such number of Common Shares (the "Maximum Number") as is equal to

_____% of the Common Shares of the Company then outstanding after the date hereof. Notwithstanding the foregoing, the term "Acquiring Person" shall not include (i) the Company; (ii) any Subsidiary (as such term is hereinafter defined) of the Company; (iii) any employee benefit plan or employee stock ownership plan of the Company or any Subsidiary of the Company; (iv) any entity holding Common Shares for or pursuant to the terms of any such plan; (v) BCBS and its Affiliates and Associates, provided that from time to time after the date hereof BCBS and its Affiliates and Associates do not increase the aggregate number of Common Shares over which such Persons have beneficial ownership as of any such time (other than Common Shares the beneficial ownership of which was acquired through (A) any dividend or distribution of any Common Shares or any Company securities convertible or exchangeable into Common Shares or any stock split or (B) any grants of Common Shares or any Company securities exercisable for Common Shares (or the exercise of any such securities for Common Shares) under any benefit plan of the Company generally available for directors of the Company), provided, however, that nothing in this clause (v) shall prohibit BCBS and its Affiliates and Associates from collectively owning less than the Maximum Number of the Common Shares of the Company then outstanding; or (vi) any Person who or which together with all Affiliates and Associates of such Person shall become an "Acquiring Person" as the result of an acquisition of Common Shares by the Company which, by reducing the number of shares outstanding, increases the proportional number of shares beneficially owned by such Person together with all Affiliates and Associates of such Person to the Maximum Number or more of the Common Shares of the Company then outstanding, provided, however, that if a Person shall become the Beneficial Owner of the Maximum Number or more of the Common Shares of the Company then outstanding by reason of share purchases by the Company and shall, after such share purchases by the Company, become the Beneficial Owner of any additional Common Shares of the Company, then such Person shall be deemed to be an "Acquiring Person". Notwithstanding the foregoing, if the Board of Directors of the Company determines in good faith that a Person who would otherwise be an "Acquiring Person," as defined pursuant to the foregoing provisions of this paragraph (a), has become such inadvertently, and such Person divests as promptly as practicable a sufficient number of Common Shares so that such Person would no longer be an "Acquiring Person," as defined pursuant to the foregoing provisions of this paragraph (a), then such Person shall not be deemed to be an "Acquiring Person" for any purposes of this Agreement. For

the avoidance of doubt, a Person who merely enters into an agreement to acquire, directly or indirectly, the stock of BCBS or Cobalt Corporation, shall not, by reason of that act alone, become an "Acquiring Person," provided that such Person does not, at the time of such agreement beneficially own any of the Company's Common Shares, or any Company securities convertible or exchangeable into, or exercisable for, Common Shares, in each case other than those Common Shares then beneficially owned by BCBS and Cobalt Corporation that are indirectly acquired by virtue of such acquisition of the stock of BCBS or Cobalt Corporation, and provided further that if, following such agreement to acquire, or acquisition of, the stock of BCBS or Cobalt Corporation, such Person increases the aggregate number of Common Shares, (or any Company securities convertible or exchangeable into, or exercisable for, Common Shares), over which such Person has beneficial ownership or otherwise becomes the Beneficial Owner of or beneficially owns other Common Shares (or any Company Securities convertible or exchangeable into, or exercisable for, Common Shares) (other than Common Shares the beneficial ownership of which was acquired through (x) any dividend or distribution of any Common Shares or any Company securities convertible or exchangeable into Common Shares or any stock split or (y) any grants of Common Shares or any Company securities exercisable for Common Shares (or the exercise of any such securities for Common Shares) under any benefit plan of the Company generally available for directors of the Company), then such Person shall be deemed an "Acquiring Person" for all purposes of this Agreement.

2. The term "Agreement" as used in the Rights Agreement shall be deemed to refer to the Rights Agreement as amended hereby.

3. The foregoing amendment shall be effective as of the date hereof and, except as set forth herein, the Rights Agreement shall remain in full force and effect and shall be otherwise unaffected hereby.

4. This amendment may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this amendment to be duly executed as of the day and year first above written.

ATTEST:

American Medical Security Group, Inc.

_____
Name:
Title:

By:_____
Name:
Title:

ATTEST:

LaSalle Bank National Association
Rights Agent

_____
Name:
Title:

By:_____
Name:
Title:

Exhibit C-1

FORM OF RESIGNATION LETTER

[date]

To the Board of Directors of
American Medical Security Group Inc.

I hereby resign as director of American Medical Security Group, Inc. (the "Company") effective upon the earliest to occur of (i) the date upon which Blue Cross & Blue Shield United of Wisconsin ("BCBSUW") shall beneficially own less than twenty percent (20%) of the then issued and outstanding shares of common stock, no par value, of the Company and (ii) the date upon which the Seller Group shall deliver written notice to the Company that it is exercising its right, pursuant to Section 4.06, to terminate the covenants and agreements set forth in Sections 4.01 and 4.02 of the Stock Purchase Agreement, dated as of March 19, 2002, by and among BCBSUW, Cobalt Corporation and the Company. For purposes hereof, "beneficially own" shall be determined pursuant to Rule 13d-3 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended.

_____

Thomas R. Hefty

Exhibit C-2

FORM OF RESIGNATION LETTER

[date]

To the Board of Directors of
American Medical Security Group Inc.

I hereby resign as director of American Medical Security Group, Inc. (the "Company") effective upon the earliest to occur of (i) the date upon which Blue Cross & Blue Shield United of Wisconsin ("BCBSUW") shall beneficially own less than ten percent (10%) of the then issued and outstanding shares of common stock, no par value, of the Company and (ii) the date upon which the Seller Group shall deliver written notice to the Company that it is exercising its right, pursuant to Section 4.06, to terminate the covenants and agreements set forth in Sections 4.01 and 4.02 of the Stock Purchase Agreement, dated as of March 19, 2002, by and among BCBSUW, Cobalt Corporation and the Company. For purposes hereof, "beneficially own" shall be determined pursuant to Rule 13d-3 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended.

_____

Kenneth L. Evason

F

REGISTRATION RIGHTS AGREEMENT

This Agreement ("Agreement") is made and entered into as of this 1st day of September, 1998 by and between UNITED WISCONSIN SERVICES, INC., a Wisconsin corporation ("UWS") and BLUE CROSS & BLUE SHIELD UNITED OF WISCONSIN, a Wisconsin service insurance corporation ("BCBSUW").

RECITALS

WHEREAS, BCBSUW organized UWS in 1983;

WHEREAS, until 1991, BCBSUW owned all of the issued and outstanding stock of UWS and since that date has continued to be the largest shareholder of UWS;

WHEREAS, UWS has organized Newco/UWS, Inc., a Wisconsin corporation ("Newco") and intends to (a) contribute its managed care and specialty products operations to Newco; and (b) distribute all of the outstanding shares of Newco to UWS shareholders (the "Spin-Off");

WHEREAS, since 1986 the Chief Executive Officer of BCBSUW and UWS have been the same person;

WHEREAS, following the Spin-Off Newco will be managed by the existing management of UWS, and UWS will be managed by the personnel who have been responsible for the operations of the small group products businesses located in Green Bay, Wisconsin; and

WHEREAS, in connection with the Spin-Off, BCBSUW desires to obtain registration rights with respect to its UWS Common Stock ("UWS Common Stock"), and UWS desires to agree with BCBSUW regarding its future ownership of UWS Common Stock.

NOW THEREFORE, the parties agree as follows:

ARTICLE I
Registration Rights

Section 1.01 General. For purposes of Article I: (I) the terms "register", "registered" and "registration" refer to a registration effected by preparing and filing a registration statement (a "registration statement") in compliance with the Securities Act of 1933, as amended (the "1933 Act"), and the declaration or ordering of effectiveness of such registration statement; and (ii) the term "Registrable Securities" means the shares of UWS Common Stock held by BCBSUW from time to time immediately after the Spin-Off.

Section 1.02 Demand Registration. Subject to Section 1.08(a) hereof, at anytime on or after the date hereof if UWS shall receive a written request (specifying that it is being made pursuant to this Section 1.02) from BCBSUW that UWS register at least fifty percent (50%) of the then outstanding Registrable Securities, then UWS shall use its best efforts to cause to be registered all Registrable Securities that BCBSUW have requested be registered. Notwithstanding the foregoing, UWS shall not be obligated to effect a registration pursuant to this Section 1.02 during the period starting with the date forty-five (45) days prior to UWS's estimated date of filing of, and ending on a date one-hundred-eighty (180) days following the effective date of, registration statement pertaining to an underwritten public offering of UWS Common Stock for the account of UWS. UWS shall be obligated to effect not more than two (2) registrations pursuant to this Section 1.02. Any request for registration under this Section must be for a firmly underwritten public offering in accordance with terms agreed upon between the underwriter or underwriters and BCBSUW to be managed by an underwriter or underwriters designated by BCBSUW and reasonably acceptable to UWS. Notwithstanding anything else in this Agreement to the contrary, all of UWS's obligations under this Section shall expire on the earlier of July 31, 2008, or the date on which BCBSUW owns in the aggregate less than three percent of the outstanding UWS Common Stock. Subject to the provisions of Section 1.07(a) hereof, UWS shall be permitted to cause to be registered additional shares of UWS Common Stock (whether previously unissued or owned by a person or entity designated by UWS) in connection with any registration effected pursuant to this Section 1.02. If, while a registration request is pending pursuant to this Section 1.02, UWS has determined in good faith that (A) the filing of a registration statement could jeopardize or delay any contemplated material transaction other than a financing plan involving UWS or would require the disclosure of material transaction other than a financing plan involving UWS or would require the disclosure of material information that UWS had a bona fide business purpose for preserving as confidential; or (B) UWS then is unable to comply with requirements of the Securities and Exchange Commission ("SEC") applicable to the requested registration (notwithstanding its best efforts to so comply), UWS shall not be required to effect a registration pursuant to this Section 1.02 until the earlier of (1) the date upon which such contemplated transaction is completed or abandoned or such material information is otherwise disclosed to the public or ceases to be material or UWS is able to so comply with applicable SEC requirements, as the case may be, and (2) 45 days after UWS makes such good-faith determination.

Section 1.03 Piggyback Registration. Subject to Section 1.08(b) hereof, if at any time UWS determines to register any UWS Common Stock under the 1933 Act in connection with the public offering of such securities solely for cash, on a form that would also permit the registration of any of the Registrable Securities, UWS shall promptly give BCBSUW written notice thereof. Upon the written request of BCBSUW received by UWS within thirty (30) days after the giving of any such notice by UWS, UWS shall use its best efforts to cause to be registered all of the Registrable Securities that BCBSUW has requested be registered together with the registration of UWS Common Stock otherwise being registered by UWS or its shareholders, as the case may be. UWS may, for any reason or for no reason, elect to either not file or withdraw the filing of any registration statement relating to a registration described in this Section 1.03 at any time prior to the effectiveness thereof.

Section 1.04 Resale Registrations. If at any time in the future BCBSUW proposes to sell Registrable Securities to one or more third parties, BCBSUW may request in writing that UWS register such Registerable Securities on Form S-3 prior to such sale ("Resale Registration"). Upon receipt by UWS of such written request, UWS shall use its best efforts to come to be registered all of the Registrable Securities that BCBSUW proposes to sell. At UWS's election, UWS may maintain an effective shelf registration in Form S-3 for the purpose of effecting Resale Registrations. Notwithstanding anything else in this Agreement to the contrary, all of UWS's obligations under this Section shall expire on the earlier of July 31, 2008, or the date on which BCBSUW owns in the aggregate less than three percent of the outstanding UWS Common Stock. BCBSUW shall be entitled to unlimited registrations under this Section.

Section 1.05 Obligations of UWS. Whenever UWS shall be required under Sections 1.02, 1.03 or 1.04 hereof to use its best efforts to effect the registration of any Registrable Securities, UWS shall:

(a) as expeditiously as possible, prepare and file with the SEC a registration statement with respect to such Registrable Securities and use its reasonable efforts to cause such registration statement to become and remain effective under the 1933 Act, except that UWS shall in no event be obligated to cause any such registration to remain effective for more than three months;

(b) as expeditiously as possible, prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection with such registration statement as may be necessary to comply with the provisions of the 1933 Act with respect to the disposition of all securities covered by such registration statement;

(c) as expeditiously as possible, furnish to BCBSUW such numbers of copies of a prospectus, including a preliminary prospectus, and such other documents as they may reasonable request in order to facilitate the disposition of Registrable Securities owned by it;

(d) as expeditiously as possible, use its reasonable efforts to register and qualify the securities covered by such registration statement under such securities or Blue Sky laws of such jurisdictions as shall be reasonably appropriate or requested by BCBSUW, except that UWS shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such jurisdiction;

(e) advise BCBSUW, promptly after it shall receive notice or obtain knowledge thereof, of (i) the issuance of any stop order by the SEC suspending the effectiveness of such registration statement or the initiation or threatening of any proceeding for that purpose, and (ii) any similar action by any regulatory agency of competent jurisdiction under the securities or Blue Sky laws of any jurisdiction, and in any such case promptly use its reasonable best efforts to prevent the issuance of any stop order or the taking of any such similar action or to obtain its withdrawal if such stop order should be issued or any such similar action shall be taken; and

(f) furnish to BCBSUW copies of all documents proposed to be filed with respect to any amendment or supplement to such registration statement or prospectus at a reasonable time prior to such filing.

Section 1.06 Furnish Information. It shall be a condition precedent to the obligations of UWS to take any action pursuant to this Article I that BCBSUW shall furnish to UWS such information regarding BCBSUW, the Registrable Securities held by BCBSUW, and the intended method of disposition of such securities and such other matters as may be required by the 1933 Act and other applicable law and regulation as UWS shall request and as shall be required in connection with the action to be taken by UWS.

Section 1.07 Expenses of Registration. In connection with a registration pursuant to Section 1.02, all underwriter's discounts and commissions, all registration and qualification fees, printers' and any extraordinary accounting fees, required as a result of BCBSUW's registration, shall be borne by BCBSUW. All such expenses incurred in connection with a registration pursuant to Section 1.03 shall be borne by UWS, BCBSUW and any other sellers pro rata in relation to the number of shares of UWS Common Stock being registered by each such party. All expenses incurred in connection with Section 1.04 shall be borne by BCBSUW. For any registrations pursuant to Sections 1.02, 1.03 or 1.04, all parties shall pay all of their own respective attorneys' fees.

Section 1.08 Underwriting Requirements.

(a) In connection with any registration requested by BCBSUW under Section 1.02, UWS shall not be required under Section 1.02 to register any Registrable Securities of BCBSUW unless BCBSUW accepts the terms of the underwriting required by Section 1.02, and then only in such quantity as will not, in the written opinion of the managing underwriters, exceed the maximum number of shares that can be marketed at a price reasonably related to the then current market price for such shares, or otherwise materially and adversely affect such offering or the trading market for such shares (the "Maximum Feasible Quantity"). All securities sold to cover any over-allotment shall be apportioned between BCBSUW and UWS in proportion to the total number of shares being sold by each, provided, however, that any such over-allotment shall first be allocated to BCBSUW to the extent any of the Registrable Securities of BCBSUW were not included in such registration because the total number of Registrable Securities requested to be registered by BCBSUW exceeded the Maximum Feasible Quantity for such registration, and shall thereafter be allocated to UWS to the extent that the shares requested to be registered by UWS were not included in such registration because such shares, when added to the shares being registered by BCBSUW, exceeded the Maximum Feasible Quantity for such registration.

(b) In connection with any registration in which Registerable Securities are included pursuant to Section 1.03 hereof, UWS shall not be required to include any Registrable Securities in such registration unless BCBSUW accepts the terms of the underwriting as agreed upon between UWS and the underwriters selected by it, and then only in such quantity as will not, when added to the shares otherwise being registered by UWS, in the written opinion of the managing underwriters, exceed the Maximum Feasible Quantity for such registration. All

securities sold to cover any over-allotment shall be apportioned between BCBSUW and UWS in proportion to the total number of shares being sold by each; provided, however, that any such over-allotment shall first be allocated to UWS to the extent any of the securities of UWS were not included in such registration because the total number of Registrable Securities included in such registration by BCBSUW, when added to the shares otherwise being registered by UWS, exceeded the Maximum Feasible Quantity for such registration, and shall thereafter be allocated to BCBSUW to the extent that the Registrable Securities requested to be registered by BCBSUW were not included in such registration because such shares when added to the shares being requested by UWS, included the Maximum Feasible Quantity for such registration.

ARTICLE II
Standstill

BCBSUW agrees that until July 31, 2008, it, without the written consent of UWS, will not purchase or otherwise acquire any additional shares of UWS Common Stock other than as the result of any stock dividend or distribution or pursuant to the reinvestment of dividends under the United Wisconsin Services, Inc. Dividend Reinvestment and Direct Stock Purchase Plan.

ARTICLE III
General Provisions

Section 3.01 Notices. All notices and other communications hereunder shall be in writing and shall be deemed given (i) when delivered personally; (ii) the second business day after being deposited in the United States mail registered or certified (return receipt requested); (iii) the first business day after being deposited with Federal Express or any other recognized national overnight courier service or (iv) on the business day on which it is sent and received by facsimile, in each case to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

(a) If to UWS:

American Medical Security Group, Inc.
3100 AMS Boulevard
Green Bay, WI 54313
Attention: President

(b) If to BCBSUW:

401 West Michigan Street
Milwaukee, WI 53203
Attention: Thomas R. Hefty, President

Section 3.02 Miscellaneous. This Agreement (including the exhibits, documents and instruments referred to herein or therein):

(a) constitutes the entire agreement, and supersedes all other prior agreements and understandings, both written and oral, between the parties, or either of them, with respect to the subject matter hereof;

(b) is not intended to confer upon any person which is not a party hereto any rights or remedies hereunder;

(c) may be assigned by BCBSUW by operation of law or otherwise; and

(d) may be executed in two or more counterparts which together shall constitute a single agreement.

Section 3.03 Waiver: Remedies. No delay or failure on the part of any party hereto to exercise any right, power, or privilege hereunder shall operate as a waiver thereof, nor shall any waiver on the part of any party hereto of any right, power, or privilege hereunder operate as a waiver of any other right, power, or privilege hereunder, nor shall any single or partial exercise of any right, power, or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, power, or privilege hereunder.

Section 3.04 Severability. If any provision of this Agreement shall be held by any court of competent jurisdiction to be illegal, invalid or unenforceable, such provision shall be construed and enforced as if it had been more narrowly drawn so as not to be illegal, invalid or unenforceable, and such illegality, invalidity or unenforceability shall have no effect upon and shall not impair the enforceability of any other provision of this Agreement.

Section 3.05 Governing Law. This Agreement shall be construed in accordance with the law of the State of Wisconsin (without regard to principles of conflicts of laws) applicable to contracts made and to be performed in Wisconsin.

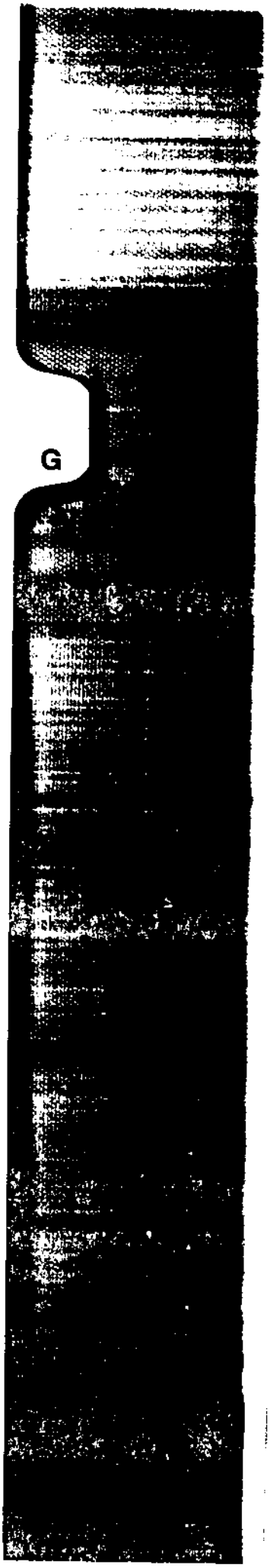
IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

UNITED WISCONSIN SERVICES, INC.

By:_____/s/ Stephen E. Bablitch_____

BLUE CROSS & BLUE SHIELD
UNITED OF WISCONSIN

By:_____/s/ Gail L. Hanson_____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RESTATED ARTICLES OF INCORPORATION OF AMERICAN MEDICAL SECURITY GROUP, INC.

The following Restated Articles of Incorporation, duly adopted pursuant to the authority and provisions of Chapter 180 of the Wisconsin Statutes, supersede and take the place of the existing Articles of Incorporation and all amendments thereto:

ARTICLE I - NAME

The name of the corporation shall be AMERICAN MEDICAL SECURITY GROUP, INC.

ARTICLE II - PURPOSES

The purposes of this Corporation are to engage in any lawful activity within the purposes for which corporations may be organized under the Wisconsin Business Corporation Law, Chapter 180 of the Wisconsin Statutes.

ARTICLE III - CAPITAL STOCK

a. The aggregate number of authorized shares of Common Stock of the Corporation shall be Fifty Million (50,000,000) shares, designed as "Common Stock", and having no par value per share.

b. The aggregate number of authorized shares of Preferred Stock of the Corporation shall be Five Hundred Thousand (500,000) shares, designed as "Preferred Stock", and having no par value per share. Authority is hereby vested in the Board of Directors from time to time to issue the Preferred Stock as Preferred Stock in one or more series of any number of shares and, in connection with the creation of each such series, to fix, by resolution providing for the issue of shares thereof, the voting rights, if any; the designations, preferences, limitations and relative rights of such series in respect to the rate of dividend, the price, the terms and conditions of redemption; the amounts payable upon such series in the event of voluntary or involuntary liquidation; sinking fund provisions for the redemption or purchase of such series of shares; and, if the shares of any series are issued with the privilege of conversion, the terms and conditions on which such series of shares may be converted. In addition to the foregoing, to the full extent now or hereafter permitted by Wisconsin law, in connection with each issue thereof, the Board of Directors may at its discretion assign to any series of the Preferred Stock such other terms, conditions, restrictions, limitations, rights and privileges as it may deem appropriate. The aggregate number of preferred shares issued and not canceled of any and all preferred series shall not exceed the total number of shares of Preferred Stock hereinabove authorized. Each series of Preferred Stock shall be distinctively designated by letter or descriptive words or both.

Pursuant to the authority expressly granted and vested in the Board of Directors of the Corporation and in accordance with the provisions of the Restated and Amended Articles of Incorporation, as amended as of July 31, 1991, the Board of Directors hereby designates 25,000 shares of the Corporation's authorized and unissued Preferred Stock, no par value per share, as Series A Adjustable Rate Nonconvertible Preferred Stock, $1,000 stated value per share, which shall have the following powers, designations, preferences and relative participating, optional or other special rights and qualifications, limitations or restrictions:

Section 1. Designation and Amount. The shares of such series shall be designated as the "Series A Adjustable Rate Nonconvertible Preferred Stock" and the number of shares constituting such series shall be Twenty Five Thousand (25,000), which number, subject to the Restated and Amended Articles of Incorporation, may be increased or decreased by the Board of Directors without a vote of the shareholders; provided, however, such number may not be decreased below the number of the then currently outstanding shares of Series A Adjustable Rate Nonconvertible Preferred Stock plus the number of shares that may be reserved for issuance upon the exercise of any options, warrants, or rights or upon the conversion of any outstanding securities issued by the Corporation convertible into Series A Adjustable Rate Nonconvertible Preferred Stock. Upon the issuance of any shares of Series A Adjustable Rate Nonconvertible Preferred Stock, an amount equal to the aggregate stated value of the shares so issued will be assigned to the capital of the Corporation representing such shares.

Section 2. Fractional Shares. The Corporation may issue fractions and certificates representing fractions of a share of Series A Adjustable Rate Nonconvertible Preferred Stock in integral multiples of one one-thousandth (1/1000) of a share of Series A Adjustable Rate Nonconvertible Preferred Stock. In the event that fractional shares of Series A Adjustable Rate Nonconvertible Preferred Stock are issued, the holders thereof shall have all the rights provided herein for holders of full shares of Series A Adjustable Rate Nonconvertible Preferred Stock in the proportion which such fraction bears to a full share.

Section 3. Voting Rights. Except as required by law, holders of shares of Series A Adjustable Rate Nonconvertible Preferred Stock shall have no right to vote.

Section 4. Conversion or Exchange. The holders of shares of Series A Adjustable Rate Nonconvertible Preferred Stock shall not have any right to convert such shares into or exchange such shares for shares of any other class or classes or any other series of any class or classes of capital stock of the Corporation.

Section 5. Dividends.

A. When and as declared by the Board of Directors, the Corporation shall pay, out of any funds legally available for the payment of dividends, cumulative cash dividends to the holders of the shares of Series A Adjustable Rate Nonconvertible Preferred Stock from the date of issuance as provided in this paragraph. The dividend rate on the shares of Series A Adjustable Rate Nonconvertible Preferred Stock shall be fixed on a yearly basis ("Yearly Dividend Period") and shall be payable quarterly, out of any funds legally available for the payment of dividends, in cash on March 31, June 30, September 30 and

December 31 in each year ("Quarterly Dividend Period"). The dividend rate for each Yearly Dividend Period, payable each Quarterly Dividend Period in that year, shall be at a rate per annum equal to the Applicable Rate (as defined in Section 5(B)). Such dividends shall be cumulative from the date of original issuance of such shares of Series A Adjustable Rate Nonconvertible Preferred Stock and shall be payable out of funds legally available therefor, when and as declared by the Board of Directors in March, June, September and December of each year. Such dividends will accrue whether or not they have been declared and whether or not there are funds of the Corporation legally available for the payment of dividends. Each of such dividends shall be paid to the holders of record of shares of Series A Adjustable Rate Nonconvertible Preferred Stock as they appear on the stock register of the Corporation on such record date as shall be fixed by the Board of Directors or a committee of the Board of Directors duly authorized to fix such date. Dividends on account of arrears (accrued but not declared) for any past Quarterly Dividend Period may be declared and paid at any time, without reference to any regular dividend payment date, to holders of record on such date as may be fixed by the Board of Directors or a committee of the Board of Directors duly authorized to fix such date. If at any time the Corporation pays less than the total amount of dividends then accrued with respect to the shares of Series A Adjustable Rate Nonconvertible Preferred Stock, such payment shall be distributed ratably among the holders of Series A Adjustable Rate Nonconvertible Preferred Stock based upon the aggregate accrued but unpaid dividends on the shares held by each such holder.

B. The "Applicable Rate" for any Yearly Dividend Period shall be the Treasury Bill Rate plus 150 basis points. The "Treasury Bill Rate" for each Yearly Dividend Period shall be the weekly per annum market discount rate for one-year U.S. Treasury bills, as published weekly by the Federal Reserve Board, during the last full week in the month of September in the year prior to the Yearly Dividend Period for which the Applicable Rate is being determined. In the event the Federal Reserve Board does not publish such a weekly per annum market discount rate for one-year U.S. Treasury bills during the last full week in the month of September in the year prior to the Yearly Dividend Period for which the Applicable Rate is being determined, then the Applicable Rate shall mean the weekly per annum market discount rate for one-year U.S. Treasury bills as published weekly by any Federal Reserve Bank or by any U.S. Government department or agency selected by the Corporation, during the last full week in the month of September in the year prior to the Yearly Dividend Period for which the Applicable Rate is being determined. In the event the Corporation determines in good faith that for any reason no such U.S. Treasury bill rates are published as provided above during the last full week in the month of September in the year prior to the Yearly Dividend Period for which the Applicable Rate is being determined, then the Applicable Rate shall be the average weekly per annum market discount rate for one-year U.S. Treasury bills, as quoted to the Corporation by a recognized U.S. Government securities dealer selected by the Corporation. Anything herein to the contrary notwithstanding, the Applicable Rate for any Yearly Dividend Period shall in no event be less than 7.00% or greater than 10.00% per annum.

C. The Applicable Rate shall be rounded to the nearest one thousandth (1/1000) of a percentage point.

D. Dividends payable on the Series A Adjustable Rate Nonconvertible Preferred Stock for each full Quarterly Dividend Period shall be computed by annualizing the Applicable Rate and dividing by four and multiplying the quotient so obtained by the stated value per share of the Series A Adjustable Rate Nonconvertible Preferred Stock. Dividends payable on the Series A Adjustable Rate Nonconvertible Preferred Stock for any period less than a full Quarterly Dividend Period shall be computed on the basis of a 360-day year of 30-day months and the actual number of days elapsed in the period for which dividends are payable.

E. Holders of shares of Series A Adjustable Rate Nonconvertible Preferred Stock shall not be entitled to any dividends, whether payable in cash, property or stock, in excess of full cumulative dividends on the Series A Adjustable Rate Nonconvertible Preferred Stock as provided in this Section 5. Accrued but unpaid dividends shall not bear interest, and no interest, or sum of money in lieu of interest, shall be payable in respect of any dividend payment or payments on the Series A Adjustable Rate Nonconvertible Preferred Stock which may be in arrears.

F. Anything herein to the contrary notwithstanding, dividends may be declared and paid upon any of the equity securities of the Corporation even if all accrued dividends on the Series A Adjustable Rate Nonconvertible Preferred Stock have not yet been declared and/or paid in full.

Section 6. Liquidation. Upon any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, the holders of the Series A Adjustable Rate Nonconvertible Preferred Stock will be entitled to be paid, whether from capital or surplus, before any distribution or payment is made upon the then outstanding shares of Common Stock or any other class of stock of the Corporation ranking junior to the Series A Adjustable Rate Nonconvertible Preferred Stock upon liquidation, an amount in cash equal to the stated value of, together with all accrued but unpaid dividends on, the Series A Adjustable Rate Nonconvertible Preferred Stock (the "Liquidation Price"). To the extent any accrued dividends have not been paid by the Corporation as of the date the Corporation pays to the holders of the shares of Series A Adjustable Rate Nonconvertible Preferred Stock the Liquidation Price hereunder, and to the extent the Corporation has at that time funds legally available for the payment of dividends, the Board of Directors shall, prior to the payment of the Liquidation Price, declare and cause such dividends to be paid. If upon any such liquidation, dissolution, or winding up of the Corporation, the Corporation's assets to be distributed among the holders of the shares of Series A Adjustable Rate Nonconvertible Preferred Stock are insufficient to permit payment to such holders of the aggregate amount which they are entitled to be paid, then the entire assets to be distributed will be distributed ratably among such holders based upon the aggregate Liquidation Price of the shares of Series A Adjustable Rate Nonconvertible Preferred Stock held by each such holder. Upon receipt of the aggregate Liquidation Price for each share of Series A Adjustable Rate Nonconvertible Preferred Stock, holders of shares of Series A Adjustable Rate Nonconvertible Preferred Stock shall have no further rights to participate in any liquidation, dissolution or winding up of the Corporation.

Section 7. Ranking of Classes of Stock. The Series A Adjustable Rate Nonconvertible Preferred Stock shall rank junior to all other series of the Corporation's Preferred Stock as to the payment of dividends and the distribution of assets in liquidation, unless the terms of any such series shall provide otherwise. Nothing contained herein shall be deemed to restrict the ability of the Corporation to create and issue additional classes or series of its Preferred Stock or other capital stock ranking senior or junior to, or on a parity with, the Series A Adjustable Rate Nonconvertible Preferred Stock as to the payment of dividends or the distribution of assets upon liquidation, or both. Specifically, any stock of any class or classes of the Corporation shall be deemed to rank:

i. prior to the shares of Series A Adjustable Rate Nonconvertible Preferred Stock, either as to dividends or upon liquidation, if the holders of such class or classes shall be entitled to the receipt of dividends or of amounts distributable upon dissolution, liquidation or winding up of the Corporation, as the case may be, in preference of or in priority to the holders of shares of Series A Adjustable Rate Nonconvertible Preferred Stock;

ii. on a parity with shares of Series A Adjustable Rate Nonconvertible Preferred Stock, either as to dividends or upon liquidation, whether or not the dividend rates, dividend payment rates or redemption or liquidation prices per share or sinking fund provisions, if any, are different from those of the Series A Adjustable Rate Nonconvertible Preferred Stock, if the holders of such stock shall be entitled to the receipt of dividends or of amounts distributable upon dissolution, liquidation or winding up of the Corporation, as the case may be, in proportion to their respective dividend rates or liquidation prices, without preference or priority, one over the other, as between the holders of such stock and the holders of shares of Series A Adjustable Rate Nonconvertible Preferred Stock; and

iii. junior to shares of Series A Adjustable Rate Nonconvertible Preferred Stock, either as to dividends or upon liquidation, if such class shall be Common Stock or if the holders of shares of Series A Adjustable Rate Nonconvertible Preferred Stock shall be entitled to receipt of dividends or of amounts distributable upon dissolution, liquidation or winding up of the Corporation, as the case may be, in preference of or priority to the holders of shares of such class or classes.

Section 8. Redemption of Shares.

A. The shares of Series A Adjustable Rate Nonconvertible Preferred Stock shall be subject to the following redemption rights:

i. At any time or from time to time following issuance, the Corporation, at its option, may redeem shares of Series A Adjustable Rate Nonconvertible Preferred Stock in whole or in part. The redemption price per share in such event shall be paid in cash and shall be equal to the greater of the following: (aa) $1,000, plus in each case an amount equal to accrued (whether or not declared) and unpaid dividends to the redemption date (out of funds legally

available therefor); or (bb) the fair market value per share as of the end of the quarter preceding the quarter during which the redemption is to occur, as determined in good faith by the Board of Directors in accordance with a written appraisal which is prepared by an independent appraiser selected by the Board and which meets the requirements of applicable law. Upon the date of notice to the holder of shares of Series A Adjustable Rate Nonconvertible Preferred Stock of the Corporation's election to redeem shares, notwithstanding that any certificates for such shares have not been surrendered for cancellation, the shares of Series A Adjustable Rate Nonconvertible Preferred Stock represented thereby shall no longer be deemed outstanding, the rights to receive dividends thereon shall cease to accrue from and after the date of notice and all rights of the holder of shares so redeemed shall cease and terminate, excepting only the right to receive the redemption price therefor; and

ii. The Corporation shall redeem shares of Series A Adjustable Rate Nonconvertible Preferred Stock which are beneficially owned by any of its employees, or employees of any of the Corporation's Affiliates, pursuant to the Corporation's or any of its Affiliates' employees pre-tax savings plans (the "401(k) Plans"), immediately prior to any distribution or withdrawal of shares of Series A Adjustable Rate Nonconvertible Preferred Stock from any of the 401(k) Plans for any reason. For purposes of this Section 8, an "Affiliate" of the Corporation means a "person" that directly, or through one or more intermediaries, controls, or is controlled by, or is under common control with, the Corporation, and a "person" means an individual, a corporation, a partnership, an associate, a joint-stock company, a business trust or an unincorporated organization. The redemption price per share in such event shall be paid in cash and shall be equal to the greater of the following: (aa) $1,000, plus in each case an amount equal to accrued (whether or not declared) and unpaid dividends to the redemption date (out of funds legally available therefor); or (bb) the fair market value per share as of the end of the quarter preceding the quarter during which the redemption is to occur, as determined in good faith by the Board of Directors in accordance with a written appraisal which is prepared by an independent appraiser selected by the Board and which meets the requirements of applicable law. Upon such attempted withdrawal, notwithstanding that any certificates for such shares have not been surrendered for cancellation, the shares of Series A Adjustable Rate Nonconvertible Preferred Stock represented thereby shall no longer be deemed outstanding, the rights to receive dividends thereon shall cease to accrue from and after the date of attempted withdrawal and all rights of the employee as a holder shall cease and terminate, excepting only the right to receive the redemption price therefor. In the event the Corporation is unable to redeem all such shares of Series A Adjustable Rate Nonconvertible Preferred Stock upon the occurrence of such an attempted withdrawal, the obligation of the Corporation to so redeem pursuant to this subparagraph (ii) shall continue and funds legally available therefor shall be applied for such purpose until such obligation is discharged.

B. Anything herein to the contrary notwithstanding, in accordance with Section 180.0640 of the Wisconsin Business Corporation Law, the Corporation may not redeem

shares of Series A Adjustable Rate Nonconvertible Preferred Stock pursuant to Section 8(A) (i) or (ii) if, after giving effect to the redemption, either of the following would occur:

i. The Corporation would not be able to pay its debts as they become due in the usual course of business; or

ii. The Corporation's total assets would be less than the sum of its total liabilities plus the amount that would be needed, if the Corporation were to be dissolved at the time of the redemption, to satisfy the preferential rights upon dissolution to shareholders whose preferential rights are superior to those of the holders of the Series A Adjustable Rate Nonconvertible Preferred Stock.

Section 9. Reacquired Shares. Any shares of Series A Adjustable Rate Nonconvertible Preferred Stock redeemed or otherwise acquired by the Corporation in any manner whatsoever shall be retained and canceled promptly after the redemption or acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock which may be created by resolutions of the Board of Directors.

Section 10. No Sinking Fund. The shares of Series A Adjustable Rate Nonconvertible Preferred Stock are not subject or entitled to the operation of a retirement or sinking fund.

ARTICLE IV - REGISTERED OFFICE AND REGISTERED AGENT

The registered office is 3100 AMS Boulevard, Green Bay, Wisconsin, 54313, and the registered agent at such address is Timothy J. Moore.

ARTICLE V - BOARD OF DIRECTORS

a. The number of directors of the Corporation shall be as is provided in the bylaws. The general powers, number, classification, and requirements for nomination of directors shall be as set forth in Articles II and III of the bylaws of the Corporation (and as such sections shall exist from time to time). The Board of Directors of the Corporation shall be divided into three (3) classes of not less than three (3) nor more than five (5) directors each. The term of office of the first class of directors shall expire at the first annual meeting after their initial election under the provisions of this Article V, the term of office of the second class shall expire at the second annual meeting after their initial election under the provisions of this Article V, and the term of office of the third class shall expire at the third annual meeting after their initial election under the provisions of this Article V. At each annual meeting after the initial classification of the Board of Directors under this Article V, the class of Directors whose term expires at the time of such election shall be elected to hold office until the third succeeding annual meeting.

b. A director may be removed from office only by affirmative vote of at least 80% of the outstanding shares entitled to vote for the election of such director, taken at an annual

meeting or a special meeting of shareholders called for that purpose, and any vacancy so created may be filled by the affirmative vote of at least 80% of such shares.

c. Notwithstanding any other provision of these Restated Articles of Incorporation (and notwithstanding the fact that a lesser affirmative vote may be specified by law), the affirmative vote of shareholders possessing at least 75% of the voting power of the then outstanding shares of all classes of stock of the Corporation generally possessing voting rights in elections of directors, considered for this purpose as one class, shall be required to amend, alter, change or repeal, or adopt any provision inconsistent with, the provisions of this Article V.

d. Notwithstanding the foregoing and provisions in the bylaws of the Corporation, whenever the holders of any one or more series of Preferred Stock issued by the Corporation pursuant to Article III hereof have the right, voting separately as a class or by series, to elect directors at an annual or special meeting of shareholders, the election, term of office, filling of vacancies and other features of such directorships shall be governed by the terms of the series of Preferred Stock applicable thereto, and such directors so elected shall not be divided into classes unless expressly provided by the terms of the applicable series.

ARTICLE VI - AMENDMENTS

These articles may be amended in the manner provided by law at the time of adoption of the amendment.

* * * * *

CERTIFICATE

This is to certify that the foregoing Restated Articles of Incorporation do not contain any amendments requiring shareholder approval, and were adopted on February 17, 1999 by the Board of Directors of the corporation.

Dated as of the 17th day of February, 1999.

AMERICAN MEDICAL SECURITY GROUP, INC.

By: _____

Name: Timothy J. Moore

Title: Senior Vice President of Corporate Affairs, Secretary & General Counsel

This document was drafted by:

Bruce C. Davidson
Quarles & Brady LLP
411 East Wisconsin Avenue
Milwaukee WI 53202-4497

EXHIBIT A

ARTICLES OF AMENDMENT TO RESTATED ARTICLES OF INCORPORATION
WITH RESPECT TO DESIGNATION, PREFERENCES,
LIMITATIONS AND RELATIVE RIGHTS

of

SERIES B JUNIOR CUMULATIVE PREFERRED STOCK

of

AMERICAN MEDICAL SECURITY GROUP, INC.

American Medical Security Group, Inc., a corporation organized and existing under the Wisconsin Business Corporation Law (the "WBCL") (hereinafter called the "Corporation"), hereby certifies that the following resolution was adopted by the Board of Directors of the Corporation at a meeting duly called and held on August 9, 2001 in accordance with Sections 180.0602 and 180.1002 of the WBCL:

RESOLVED, that pursuant to the authority granted to and vested in the Board of Directors of this Corporation (hereinafter called the "Board of Directors" or the "Board") in accordance with the provisions of the Restated Articles of Incorporation, the Board of Directors hereby creates a series of Preferred Stock, no par value per share (the "Preferred Stock"), of the Corporation and hereby states the designation and number of shares, and fixes the relative rights, preferences, and limitations thereof as follows:

"Series B Junior Cumulative Preferred Stock:

Section 1. Designation and Amount. The shares of such series shall be designated as "Series B Junior Cumulative Preferred Stock" (the "Series B Preferred Stock") and the number of shares constituting the Series B Preferred Stock shall be Ten Thousand (10,000).

Section 2. Dividends and Distributions.

A. Subject to the rights of the holders of any shares of any series of Preferred Stock (or any similar stock) ranking prior and superior to the Series B Preferred Stock with respect to dividends, the holders of shares of Series B Preferred Stock, in preference to the holders of Common Stock, no par value per share (the "Common Stock"), of the Corporation, and of any other junior stock, shall be entitled to receive, when and as declared by the Board of Directors out of funds legally available for the purpose, cumulative dividends payable in cash quarterly on the first days of January, April, July and October in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series B Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) $1 or (b) subject to the provision for adjustment hereinafter set forth, 10,000 times the aggregate per share

amount of all cash dividends, and 10,000 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions, other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock since the immediately preceding Quarterly Dividend Payment Date or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series B Preferred Stock. In the event the Corporation shall at any time after August 9, 2001 (the "Rights Declaration Date") declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount to which holders of shares of Series B Preferred Stock were entitled immediately prior to such event under clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

B. The Corporation shall declare a dividend or distribution on the Series B Preferred Stock as provided in paragraph A of this Section immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock); provided that, in the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of $1 per share on the Series B Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

C. Dividends shall begin to accrue and be cumulative on outstanding shares of Series B Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series B Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series B Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series B Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be not more than 60 days prior to the date fixed for the payment thereof.

Section 3. Voting Rights. The holders of shares of Series B Preferred Stock shall have the following voting rights:

A. Subject to the provision for adjustment hereinafter set forth, each share of Series B Preferred Stock shall entitle the holder thereof to 10,000 votes on all matters submitted to a vote of the Shareholders of the Corporation. In the event the Corporation shall at any time after the Rights Declaration Date declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the number of votes per share to which holders of shares of Series B Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

B. Except as otherwise provided herein, in any other amendment creating a series of Preferred Stock or any similar stock, or by law or by the resolution or resolutions providing for the issue of any series of Preferred Stock, the holders of shares of Series B Preferred Stock and the holders of shares of Common Stock and any other capital stock of the Corporation having general voting rights shall vote together as one class on all matters submitted to a vote of shareholders of the Corporation.

C. Except as set forth herein or as otherwise provided by law, the holders of Series B Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

Section 4. Certain Restrictions.

A. Whenever quarterly dividends or other dividends or distributions payable on the Series B Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series B Preferred Stock outstanding shall have been paid in full, the Corporation shall not:

(i) declare or pay dividends, or make any other distributions, on any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series B Preferred Stock;

(ii) declare or pay dividends, or make any other distributions, on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series B Preferred Stock, except dividends paid ratably on the Series B Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series B Preferred Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such junior stock in exchange for shares of any stock of the Corporation ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Series B Preferred Stock; or

(iv) redeem or purchase or otherwise acquire for consideration any shares of Series B Preferred Stock, or any shares of stock ranking on a parity with the Series B Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective Series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

B. The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under paragraph A of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

Section 5. Reacquired Shares. Any shares of Series B Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and canceled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock subject to the conditions and restrictions on issuance set forth herein, in the Restated Articles of Incorporation, or in any other amendment creating a series of Preferred Stock or any similar stock or as otherwise required by law.

Section 6. Liquidation, Dissolution or Winding Up. Upon any liquidation, dissolution or winding up of the Corporation, no distribution shall be made (1) to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series B Preferred Stock unless, prior thereto, the holders of shares of Series B Preferred Stock shall have received $100 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment, provided that the holders of shares of Series B Preferred Stock shall be entitled to receive an aggregate amount per share, subject to the provision for adjustment hereinafter set forth, equal to 10,000 times the aggregate amount to be distributed per share to holders of shares of Common Stock, or (2) to the holders of shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series B Preferred Stock, except distributions made ratably on the Series B Preferred Stock and all such parity stock in proportion to the total amounts to which the holders of all such shares are entitled upon such liquidation, dissolution or winding up. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than

by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock then in each such case the aggregate amount to which holders of shares of Series B Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 7. Consolidation, Merger, etc. In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case each share of Series B Preferred Stock shall at the same time be similarly exchanged or changed into an amount per share, subject to the provision for adjustment hereinafter set forth, equal to 10,000 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Corporation shall at any time after the Rights Declaration Date declare any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series B Preferred Stock shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 8. Redemption. The shares of Series B Preferred Stock shall not be redeemable.

Section 9. Rank. The Series B Preferred Stock shall rank, with respect to the payment of dividends and the distribution of assets, junior to all other series of the Corporation's Preferred Stock, unless the terms of any such series shall provide otherwise.

Section 10. Amendment. At any time when any shares of Series B Preferred Stock are outstanding, the Restated Articles of Incorporation of the Corporation shall not be amended in any manner which would materially alter or change the powers, preferences or special rights of the Series B Preferred Stock so as to affect them adversely without the affirmative vote of the holders of at least two-thirds of the outstanding shares of Series B Preferred Stock, voting together as a single class.

Section 11. Fractional Shares. Series B Preferred Stock may be issued in fractions of a share which shall entitle the holder, in proportion to such holder's fractional shares, to exercise voting rights, receive dividends, participate in distributions and to have the benefit of all other rights of holders of Series B Preferred Stock."

None of the shares of the Series B Preferred Stock have been issued as of the date hereof.

IN WITNESS WHEREOF, these Articles of Amendment are executed on behalf of the Corporation by its Executive Vice President this 14th day of August 2001.

Executive Vice President

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BYLAWS OF
AMERICAN MEDICAL SECURITY GROUP, INC.
(as Amended and Restated November 17, 1999)

ARTICLE I. OFFICES

1.01. PRINCIPAL AND BUSINESS OFFICES. The Corporation may have such principal and other business offices, either within or without the State of Wisconsin, as the Board of Directors may designate or as the business of the Corporation may require from time to time.

1.02. REGISTERED OFFICE. The registered office of the Corporation required by the Wisconsin Business Corporation Law to be maintained in the State of Wisconsin may be, but need not be, identical to the principal office in the state of Wisconsin; and the address of the registered office may be changed from time to time by any officer or by the registered agent. The business office of the registered agent of the Corporation shall be identical to the registered office.

ARTICLE II. SHAREHOLDERS

2.01. ANNUAL MEETING. The Annual Meeting of the Shareholders shall be held at the principal office of the Corporation in the City of Green Bay, Brown County, Wisconsin, unless the Board of Directors shall designate another location either within or without the State of Wisconsin. The Annual Meeting shall take place on the last Thursday of May each year or at such other time and date as may be fixed by or under the authority of the Board of Directors. If the day fixed for the Annual Meeting shall be a legal holiday in the State of Wisconsin, such meeting shall be held on the next succeeding business day. At such meeting the Shareholders shall elect directors and transact such other business as shall lawfully come before them.

A. ELECTIONS AND OTHER BUSINESS. Nominations of persons for election to the Board of Directors of the Corporation and the proposal of business to be considered by the Shareholders may be made at the Annual Meeting:

1. Pursuant to the Corporation's notice of meeting;

2. By or at the direction of the Board of Directors; or

3. By any Shareholder of the Corporation who is a Shareholder of record at the time of the giving of the notice provided for in these Bylaws and who is entitled to vote at the meeting and complies with the notice procedures set forth below.

B. NOMINATIONS AND SUBMISSION OF BUSINESS MATTERS. For nominations or other business to be properly brought before an Annual Meeting by a Shareholder, the Shareholder must have given timely notice thereof in writing to the Secretary of the Corporation. Timely notice is that notice which is received by the Secretary at the Corporation's principal office not less than sixty (60) days nor more than ninety (90) days prior to the date on which the Corporation first mailed its proxy materials for the prior year's Annual Meeting, provided, however, that in the event the date of the Annual Meeting is advanced by more than thirty (30) days or delayed by more than sixty (60) days from the last Thursday in May, notice by the Shareholder, to be timely, must be received, as provided above, not earlier than the ninetieth (90th) day prior to the date of such Annual Meeting and not later than the close of business on the later of (x) the sixtieth (60) day prior to such Annual Meeting, or (y) the tenth (10th) day on which public announcement of the date of such a meeting is first made. Such Shareholder's notice shall be signed by the Shareholder of record who intends to make the nomination or introduce the other business (or his or her duly authorized proxy or other representative), shall bear the date of signature of such Shareholder or representative, and shall set forth:

1. The name and address, as they appear on the Corporation's books, of such Shareholder and the beneficial owner(s), if any, on whose behalf the nomination or proposal is made;

2. The class and number of shares of the Corporation which are beneficially owned by such Shareholder or beneficial owner(s);

3. A representation that such Shareholder is a holder of record of shares entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to make the nomination or introduce the other business specified in the notice;

4. In the case of any proposed nomination for election or reelection as a director:

(a) The name and residence address of the nominee;

(b) A description of all arrangements or understandings between such Shareholder or beneficial owner(s) and each nominee and any other person(s) (naming such person(s)) pursuant to which the nomination is to be made by the Shareholder;

(c) Such other information regarding each nominee proposed by such Shareholder as would be required to be disclosed in solicitations of proxies for elections of directors, or would be otherwise required to be disclosed, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended, including any information that would

be required to be included in a proxy statement filed pursuant to Regulation 14A had the nominee been nominated by the Board of Directors; and

(d) The written consent of each nominee to be named in a proxy statement and to serve as a director of the Corporation if so elected; and

5. In the case of any other business that such Shareholder proposes to bring before the meeting,

(a) A brief description of the business desired to be brought before the meeting, and, if the business includes a proposal to amend these Bylaws, the language of the proposed amendment;

(b) Such Shareholder's and beneficial owner's(s') reasons for conducting such business at such time; and

(c) Any material interest in such business of such Shareholder or beneficial owners(s).

Notwithstanding anything in the above paragraph to the contrary, in the event that the number of directors to be elected to the Board of Directors of this Corporation is increased and there is no public announcement naming all of the nominees for director or specifying the size of the increased Board of Directors made by the Corporation at least seventy (70) days prior to the last Thursday in May, a Shareholder's notice required by this Section shall also be considered timely, but only with respect to nominees for new positions created by such increase, if it is received by the Secretary at the Corporation's principal office not later than the close of business on the tenth (10th) day following the day on which such public announcement is first made by the Corporation.

2.02. SPECIAL MEETINGS. Special meetings of the Shareholders may be called by the Chairman of the Board, and shall be called by the Secretary on written request of a majority of members of the Board of Directors, or on written request of the holders of at least ten (10%) percent of the Corporation's shares entitled to vote on a matter. The request shall be signed, dated and delivered to the Secretary describing one (1) or more purposes for which the meeting is to be held. The Board of Directors shall set the place of the meeting. If no such designation is made, the place of the meeting shall be the principal business office of the Corporation in the State of Wisconsin, but any meeting may be adjourned to reconvene at any place designated by a vote of a majority of the shares represented thereat.

A. ELECTIONS AND OTHER BUSINESS. Nominations of persons for election to the Board of Directors may be made at a Special Meeting at which directors are to be elected pursuant to such notice of meeting:

1. By or at the direction of the Board of Directors; or

2. By any Shareholder of the Corporation who:

(a) Is a Shareholder of record at the time of giving notice of the meeting,

(b) Is entitled to vote at the meeting, and

(c) Complies with the notice procedures set forth below.

B. NOMINATIONS AND SUBMISSION OF BUSINESS MATTERS. Only such business as shall have been described in such notice shall be conducted at the Special Meeting. Any Shareholder desiring to nominate persons for election to the Board of Directors at a Special Meeting shall cause written notice to be received by the Secretary of the Corporation at its principal office not earlier than ninety (90) days prior to such Special Meeting and not later than the close of business on the later of (x) the sixtieth (60th) day prior to such Special Meeting or (y) the tenth (10th) day following the day on which public announcement is first made of the date of such Special Meeting and of the nominees proposed by the Board of Directors to be elected at such meeting. Such written notice shall be signed by the Shareholder of record who intends to make the nomination (or his or her duly authorized proxy or other representative), shall bear the date of signature of such Shareholder or other representative, and shall set forth:

1. The name and address, as they appear on the Corporation's books, of such Shareholder and the beneficial owner(s), if any, on whose behalf the nomination is made;

2. The class and number of shares of the Corporation which are beneficially owned by such Shareholder or beneficial owner(s);

3. A representation that such Shareholder is a holder of record of shares of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to make the nomination specified in the notice;

4. The name and residence address of the person(s) to be nominated;

5. A description of all arrangements or understandings between such Shareholder or beneficial owner(s) and each nominee and any other person(s)

(naming such person(s)) pursuant to which the nomination is to be made by such Shareholder;

6. Such other information regarding each nominee proposed by such Shareholder as would be required to be disclosed in solicitations of proxies for elections of directors, or would be otherwise required to be disclosed, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended, including any information that would be required to be included in a proxy statement filed pursuant to Regulation 14A had the nominee been nominated by the Board of Directors; and

7. The written consent of each nominee to be named in a proxy statement and to serve as a director of the Corporation if so elected.

2.03. NOTICE OF ANNUAL OR SPECIAL MEETING. Notice may be communicated by telegraph, teletype, facsimile or other form of wire or wireless communication, or by mail or private carrier, and, if these forms of personal notice are impracticable, notice may be communicated by public announcement. Such notice stating the place, day and hour of the meeting and, in case of a special meeting, a description of each purpose for which the meeting is called, shall be communicated or sent not less than ten days nor more than sixty (60) days before the date of the meeting, by or at the direction of the Chairman of the Board or the Secretary, or other officer or persons calling the meeting, to each Shareholder of record entitled to vote at such meeting. Written notice by the Corporation to its Shareholders is effective when mailed and may be addressed to the Shareholder's address shown in the Corporation's current record of Shareholders.

2.04. UNANIMOUS CONSENT WITHOUT MEETING. Any action that may be taken at a meeting of the Shareholders may be taken without a meeting if a consent in writing setting forth the action so taken shall be signed by all of the Shareholders entitled to vote with respect to the subject matter thereof.

2.05. FIXING OF RECORD DATE. A "Shareholder" of the Corporation shall mean the person in whose name shares are registered in the stock transfer books of the Corporation or the beneficial owner of shares to the extent of the rights granted by a nominee certificate on file with the Corporation. Such nominee certificates, if any, shall be reflected in the stock transfer books of the Corporation. The Board of Directors may fix, in advance, a date as the record date for one or more voting groups for any determination of Shareholders entitled to notice of a Shareholder's meeting, to demand a special meeting, to vote, or to take any other action, such date in any case to be not more than seventy (70) days prior to the meeting or action requiring such determination of Shareholders, and may fix the record date for determining Shareholder entitled to share a dividend or distribution. If no record date is fixed for the determination of Shareholders entitled to demand a Shareholder meeting, to notice of or to vote at a meeting of Shareholders, or to consent to action without a meeting, (a) the close of business on the day before the Corporation received the first written demand for a Shareholder meeting, (b) the close of business on the day before the first notice of the meeting is mailed or otherwise delivered to

Shareholders, or (c) the close of business on the day before the first written consent to Shareholder action without a meeting is received by the Corporation, as the case may be, shall be the record date for the determination of Shareholders. If no record date is fixed for the determination of Shareholders entitled to receive a share dividend or distribution (other than a distribution involving a purchase, redemption or other acquisition of the Corporation's shares), the close of business on the day on which the resolution of the Board of Directors is adopted declaring the dividend or distribution shall be the record date. When a determination of Shareholders entitled to vote at any meeting of Shareholders has been made as provided in this Section, such determination shall be applied to any adjournment thereof unless the Board of Directors fixes a new record date and except as otherwise required by law. A new record date must be set if a meeting is adjourned to a date more than one-hundred twenty (120) days after the date fixed for the original meeting.

2.06. VOTING RECORD. The Secretary shall, before each meeting of Shareholders, make a complete list of the Shareholders entitled to vote at such meeting, or any adjournment thereof, with the address of and the number of shares held by each. Such record shall be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any Shareholder during the whole time of the meeting for the purposes of the meeting. The original stock transfer books shall be prima facie evidence as to who are the Shareholders entitled to examine such record or transfer books or to vote at any meeting of Shareholders. Failure to comply with the requirements of this Section shall not affect the validity of any action taken at such meeting.

2.07. QUORUM. Shares entitled to vote as a separate voting group as defined in the Wisconsin Business Corporation Law may take action on a matter at a meeting only if a quorum of those shares exists with respect to that matter. Unless the Articles of Incorporation or the Wisconsin Business Corporation Law provide otherwise, a majority of the votes entitled to be cast on the matter by a voting group constitutes a quorum of that voting group for action on that matter.

Once a share is represented for any purposes at a meeting, other than for the purpose of objecting to holding the meeting or transacting business at the meeting, it is considered present for purposes of determining whether a quorum exists for the remainder of the meeting and for any adjournment of that meeting unless a new record date is or must be set for that adjourned meeting.

If a quorum exists, action on a matter by a voting group is approved if the votes cast within the voting group favoring the action exceed the votes cast opposing the action, unless the Articles of Incorporation or the Wisconsin Business Corporation Law require a greater number of affirmative votes.

"Voting group" means any of the following:

A. All shares of one or more classes or series that under the Articles of Incorporation or the Wisconsin Business Corporation Law are entitled to vote and be counted together collectively on a matter at a meeting of Shareholders.

B. All shares that under the Articles of Incorporation or the Wisconsin Business Corporation Law are entitled to vote generally on a matter.

Though less than a quorum of the outstanding shares are represented at a meeting, a majority of the shares so represented may adjourn the meeting from time to time without further notice. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified.

2.08. PROXIES. At all meetings of Shareholders, a Shareholder entitled to vote may vote in person or by proxy. A Shareholder may appoint a proxy to vote or otherwise act for the Shareholder by signing an appointment form, either personally, by his or her attorney-in-fact, or in any other manner authorized by the Wisconsin Business Corporation Law. Such proxy appointment is effective when received by the Secretary or other officer or agent of the Corporation authorized to tabulate votes. Unless otherwise provided in the appointment form of proxy, a proxy appointment may be revoked at any time before it is voted, by written notice filed with the Secretary or the acting Secretary of the meeting, by oral notice given by the Shareholder to the presiding officer during the meeting, or in any other manner authorized by the Wisconsin Business Corporation Law. The presence of a Shareholder who has filed his or her proxy appointment shall not of itself constitute a revocation. No proxy appointment shall be valid after eleven months from the date of its execution, unless otherwise provided in the appointment form of proxy. The Board of Directors shall have the power and authority to make rules establishing presumptions as to the validity and sufficiency of proxy appointments.

2.09. VOTING OF SHARES. Each outstanding share shall be entitled to one vote upon each matter submitted to a vote at a meeting of Shareholders, except to the extent that the voting rights of the shares of any voting group or groups are enlarged, limited or denied by the Articles of Incorporation.

2.10. VOTING OF SHARES BY CERTAIN HOLDERS.

A. OTHER CORPORATIONS. Shares standing in the name of another corporation may be voted either in person or by proxy, by the president of such corporation or any other officer appointed by such president. An appointment form of proxy executed by any principal officer of such other corporation or assistant thereto shall be conclusive evidence of the signer's authority to act, in the absence of express notice to this Corporation, given in writing to the Secretary of this Corporation, or the designation of some other person by the Board of Directors or by the Bylaws of such other corporation.

B. LEGAL REPRESENTATIVES AND FIDUCIARIES. Shares held by an administrator, executor, guardian, conservator, trustee in bankruptcy, receiver or assignee for creditors may be voted by him or her, either in person or by proxy, without a transfer of such shares into his or her name, provided that there is filed with the Secretary before or at the time of meeting proper evidence of his or her incumbency and the number of shares held by him or her, either in person or by proxy. An appointment form of proxy executed by a fiduciary shall be conclusive evidence of the signer's authority to act, in the absence of express notice to this Corporation, given in writing to the Secretary, that such manner of voting is expressly prohibited or otherwise directed by the document creating the fiduciary relationship.

C. PLEDGEES. A Shareholder whose shares are pledged shall be entitled to vote such shares until the shares have been transferred into the name of the pledgee, and thereafter the pledgee shall be entitled to vote the shares so transferred; provided, however, a pledgee shall be entitled to vote shares held of record by the pledgor if the Corporation receives acceptable evidence of the pledgee's authority to sign.

D. TREASURY STOCK AND SUBSIDIARIES. Neither treasury shares, nor shares held by another corporation if a majority of the shares entitled to vote for the election of directors of such other corporation is held by this Corporation, shall be voted at any meeting or counted in determining the total number of outstanding shares entitled to vote, but shares of its own issue held by this Corporation in a fiduciary capacity, or held by such other corporation in a fiduciary capacity, may be voted and shall be counted in determining the total number of outstanding shares entitled to vote.

E. MINORS. Shares held by a minor may be voted by such minor in person or by proxy and no such vote shall be subject to disaffirmance or avoidance, unless prior to such vote the Secretary of the Corporation has received written notice or has actual knowledge that such Shareholder is a minor. Shares held by a minor may be voted by a personal representative, administrator, executor, guardian or conservator representing the minor if evidence of such fiduciary status, acceptable to the Corporation, is presented.

F. INCOMPETENTS AND SPENDTHRIFTS. Shares held by an incompetent or spendthrift may be voted by such incompetent or spendthrift in person or by proxy and no such vote shall be subject to disaffirmance or avoidance, unless prior to such vote the Secretary bf the Corporation has actual knowledge that such Shareholder has been adjudicated an incompetent or spendthrift or actual knowledge of judicial proceedings for appointment of a guardian. Shares held by an incompetent or spendthrift may be voted by a personal representative, administrator, executor, guardian or conservator representing the minor if evidence of such fiduciary status, acceptable to the Corporation, is presented.

G. JOINT TENANTS. Shares registered in the names of two (2) or more individuals who are named in the registration as joint tenants may be voted in person or by proxy signed by any one (1) or more of such individuals if either (i) no other such

individual or his or her legal representative is present and claims the right to participate in the voting of such shares or prior to the vote files with the Secretary of the Corporation a contrary written voting authorization or direction or written denial of authority of the individual present or signing the appointment form of proxy proposed to be voted, or (ii) all such other individuals are deceased and the Secretary of the Corporation has no actual knowledge that the survivor has been adjudicated not to be the successor to the interests of those deceased.

2.11. CONDUCT OF MEETINGS. The Chairman of the Board, or in the Chairman's absence, the President, or, in their absence such Vice President as is designated by the Board of Directors, shall call the meeting to order and act as Chairman of the meeting. Only persons nominated in accordance with the procedures set forth in Sections 2.01 and 2.02, shall be eligible to serve as directors. Only such business as shall have been brought before a meeting in accordance with the procedures set forth in Section 2.01 and 2.02, shall be eligible to be conducted. The Chairman of the meeting shall have the power and duty to determine whether any nomination or any business proposed to be brought before the meeting was made in accordance with the procedures set forth in Sections 2.01 and 2.02, and, if any proposed nomination or business is not in compliance therewith, to declare that such defective proposal shall be disregarded.

2.12. PUBLIC ANNOUNCEMENT. For purposes of Sections 2.01 and 2.02, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press, or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14, or 15(d) of the Securities Exchange Act of 1934, as amended.

2.13. INVALIDITY. The Chairman, upon recommendation of the Secretary, may reject a vote, consent, waiver, or proxy appointment, if the Secretary or other officer or agent of the Corporation who is authorized to tabulate votes, acting in good faith, has reasonable doubt about the validity of the signature on it or about the signatory's authority to sign for the Shareholder. The Corporation and its officer or agent who accepts or rejects a vote, consent, waiver or proxy appointment in good faith and in accordance with the Wisconsin Business Corporation Law shall not be liable for damages to the Shareholders for consequences of the acceptance or rejection.

2.14. WAIVER OF NOTICE. A Shareholder may waive any notice required by the Wisconsin Business Corporation Law, the Articles of Incorporation, or these Bylaws before or after the date and time stated in the notice. The waiver shall be in writing and signed by the Shareholder entitled to the notice, contain the same information that would have been required in the notice under the Wisconsin Business Corporation Law (except that the time and place of meeting need not be stated), and be delivered to the Corporation for inclusion in the corporate records. A Shareholder's attendance at any Annual Meeting or Special Meeting, in person or by proxy, waives objection to all of the following: (a) lack of notice or defective notice of the meeting, unless the Shareholder promptly upon arrival or at the beginning of the meeting objects to holding, or transacting business at, the meeting; and (b) consideration of a particular matter at

the meeting that is not within the purpose described in the meeting notice, unless the Shareholder objects to considering the matter when it is presented.

ARTICLE III. BOARD OF DIRECTORS

3.01. NUMBER OF DIRECTORS. Within the limits established in the Articles of Incorporation, the number of directors of the Corporation shall be such number as shall be determined by the Board of Directors from time to time.

3.02. TERM OF OFFICE. Elected directors shall hold office for a term of three (3) years and until their successors are elected and qualified, except as otherwise provided in this Section or until their death, resignation or removal. The Board of Directors shall be divided into three (3) classes of three (3) or more directors each, with, as nearly as possible, an equal number of directors in each class. The term of office of the first class of directors shall expire at the first annual meeting after their initial election and when their successors are elected and qualified, the term of office of the second class shall expire at the second annual meeting after their initial election and when their successors are elected and qualified, and the terms of office of the third class shall expire at the third annual meeting after their initial election and when their successors are elected and qualified. At each annual meeting after the initial classification of the Board of Directors, the class of directors whose term expires at the time of such election shall be elected to hold office until the third succeeding annual meeting and until their successors are elected and qualified.

3.03. NOMINATIONS. Nominations for the election of directors shall be made in accordance with the provisions of Sections 2.01 and 2.02 hereof, which requirements are hereby incorporated by reference in this Section 3.03.

3.04. REGULAR MEETINGS. A regular meeting of the Board of Directors shall be held without other notice than this Bylaw immediately after, and at the same place as, the Annual Meeting of Shareholders, for election of corporate officers and transaction of other business. The Board of Directors may provide by resolution the time and place for holding additional meetings without other notice than such resolution.

3.05. SPECIAL MEETINGS. Special Meetings of the Board of Directors shall be held whenever called by the Chairman of the Board or the Secretary upon written request of any three (3) directors. The Secretary shall give sufficient notice of such meeting, to be not less than two (2) days, in person or by mail or by telephone, telegraph, teletype, facsimile or other form of wire or wireless communication as to enable the directors so notified to attend such meeting. The Chairman or Secretary who calls the meeting may fix any place, within or without the State of Wisconsin, as the place for holding any Special Meeting of the Board of Directors.

3.06. WAIVER OF NOTICE. Whenever any notice whatsoever is required to be given to any director of the Corporation under the Articles of Incorporation or Bylaws or any provisions of law, a waiver thereof in writing, signed at any time, whether before or after the time

of meeting, by the director entitled to such notice, shall be deemed equivalent to the giving of such notice, and the Corporation shall retain copies of such waivers in its corporate records. A director's attendance at or participation in a meeting waives any required notice to him or her of the meeting unless the director at the beginning of the meeting or promptly upon his or her arrival objects to holding the meeting and does not thereafter vote for or assent to action taken at the meeting. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board of Directors need be specified in the notice or waiver of notice of such meeting.

3.07. QUORUM. Except as otherwise provided by the Wisconsin Business Corporation Law, a majority of the number of directors (determined as provided in Section 3.01) shall constitute a quorum of the Board of Directors. Except as otherwise provided by the Wisconsin Business Corporation Law, a majority of the number of directors appointed to service on a committee shall constitute a quorum of the committee.

3.08. VACANCIES. Vacancies, including those created by an increase in the number of directors in the Board of Directors, may be filled by the remaining directors. A director elected to fill a vacancy shall serve for the unexpired term of his or her predecessor. In the absence of action by the remaining directors, the Shareholders may fill such vacancy at a Special Meeting in accordance with the Articles of Incorporation, or by unanimous consent according to these Bylaws.

3.09. REMOVAL. The Shareholders may remove one (1) or more directors, with or without cause, at a meeting called for that purpose, the notice of which reflects that purpose, in accordance with the Articles of Incorporation of this Corporation.

3.10. COMPENSATION. A director may receive such compensation for services as is determined by resolution of the Board irrespective of any personal interest of its members. A director also may serve the Corporation in any other capacity and receive compensation therefore. The Board of Directors also shall have authority to provide for or to delegate authority to an appropriate committee to provide for reasonable pensions, disability or death benefits and other benefits or payments, to directors, officers and employees and to their estates, families, dependents or beneficiaries on account of prior services rendered to the Corporation by such directors, officers and employees.

3.11. GENERAL POWERS. All corporate powers shall be exercised by or under the authority of, and the business and affairs of the Corporation shall be managed under the direction of, the Board of Directors, subject to any limitation set forth in these Bylaws or the Articles of Incorporation.

3.12. CONDUCT OF MEETINGS. The Chairman of the Board, or in the Chairman's absence the President, or in their absence such Vice President as is designated by the Board of Directors, shall call meetings of the Board of Directors to order and shall act as Chairman of the meeting. The Secretary of the Corporation shall act as Secretary of all meetings of the Board of Directors, but in the absence of the Secretary, the presiding officer may appoint an Assistant

Secretary or any director or other person present or participating to act as Secretary of the meeting.

3.13. MANNER OF ACTING. If a quorum is present or participating when a vote is taken, the affirmative vote of a majority of directors present or participating is the act of the Board of Directors or a committee of the Board of Directors, unless the Wisconsin Business Corporation Law or the Articles of Incorporation or these Bylaws require the vote of a greater number of directors.

3.14. PRESUMPTION OF ASSENT. A director of the Corporation who is present at or participates in a meeting of the Board of Directors or a committee thereof which he or she is a member, at which action on any corporate matter is taken, shall be presumed to have assented to the action taken unless his or her dissent shall be entered in the minutes of the meeting or unless he or she shall file his or her written dissent to such action with the person acting as the Secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the Secretary of the Corporation immediately after the adjournment of the meeting. Such right to dissent shall not apply to a director who voted in favor of such action.

3.15. UNANIMOUS CONSENT WITHOUT MEETING. Any action required or permitted by the Articles of Incorporation or Bylaws or any provision of law to be taken by the Board of Directors at a meeting or by resolution may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the directors then in office.

3.16. MEETING BY TELEPHONE OR BY OTHER COMMUNICATION TECHNOLOGY. Meetings of the Board of Directors or committees may be conducted by telephone or by other communication technology in accordance with Section 180.0820 of the Wisconsin Business Corporation Law.

3.17. COMMITTEES.

A. REGULAR COMMITTEES.

1. GENERAL DESCRIPTION. In order to facilitate the work of the Board of Directors of this Corporation, the following regular committees shall be elected from the membership of the Board of Directors at the regular meeting held in May of each year (or at such other time as the Board of Directors may determine):

Executive Committee
Finance Committee
Compensation Committee
Audit Committee

Each committee shall consist of such number of members, not less than three (3), as shall be determined by the Board of Directors. The Chairman of the Board of Directors, and in the Chairman's absence the President, and in their

absence, such Vice President as is designated by the Board of Directors, shall submit nominations for such committee memberships. Committee members shall hold office until the next board meeting at which committee elections are conducted in accordance with these Bylaws, and until their successors are elected and qualified. Each Regular Committee of the Board of Directors may exercise the authority of the full Board within the scope of the duties and powers delegated to it in these Bylaws, except that no committee of this Board shall do any of the following:

(a) Authorize distributions;

(b) Approve or propose to Shareholders action that the Wisconsin Business Corporation Law requires to be approved by Shareholders;

(c) Fill vacancies on the Board of Directors or, except as provided herein, on any of its committees;

(d) Amend the Articles of Incorporation;

(e) Adopt, amend or repeal the Bylaws;

(f) Approve a plan of merger not requiring Shareholder approval;

(g) Authorize or approve reacquisition of shares, except according to a formula or method prescribed by the full Board; or

(h) Authorize or approve the issuance or sale or contract for sale of shares or determine the designation and relative rights, preferences and limitations of a class or series of shares, except that the Board of Directors may authorize a committee or a senior executive officer of the Corporation to do so within limits prescribed by the Board of Directors.

2. THE EXECUTIVE COMMITTEE. When the Board of Directors is not in session, the Executive Committee shall have and may exercise all of the powers and authority of the full Board in the management of the business and affairs of the Corporation to the extent allowed by the Wisconsin Business Corporation Law.

3. THE FINANCE COMMITTEE. When the Board of Directors is not in session, the Finance Committee shall have and may exercise all of the powers of the full Board of Directors solely with regard to those matters which are within the scope of the Finance Committee's designated duties, as provided

herein. The Chairman of the Board of Directors shall be a member of the Finance Committee.

The Finance Committee shall:

(a) Review and approve the Corporation's investment policies and guidelines:

(b) Monitor performance of the Corporation's investment portfolio;

(c) Consult with management regarding material transactions involving real estate, accounts receivable and other assets;

(d) Monitor the amount and types of all insurance that should be carried by this Corporation;

(e) Monitor the Corporation's relationship with its lenders and its compliance with financing agreements including debt covenants;

(f) Consult with management concerning the capital structure of the Corporation;

(g) Monitor investment options and performance offered in the Corporation's retirement plan; and

(h) Carry out such special assignments as the Board of Directors may, from time to time, give to the Finance Committee.

4. THE COMPENSATION COMMITTEE. When the Board of Directors is not in session, the Compensation Committee shall have and may exercise all of the powers of the full Board solely with regard to those matters which are within the scope of the Compensation Committee's designated duties, as provided herein.

The Compensation Committee shall:

(a) Evaluate the performance of the Chief Executive Officer and other executive officers against objectives;

(b) Review and approve the compensation (including salary, bonus, stock options and other appropriate equity or long-term incentives, and any severance benefits) of the Chairman of the Board, the Chief Executive Officer and other executive officers;

(c) Administer compensation plans for executive officers and directors; and

(d) Review, on a general policy level basis, the compensation and benefits of officers, managers and employees for appropriateness;

(e) Act as the Nominating Committee for directors and make recommendations to the Board of Directors for types, methods and levels of directors' compensation;

(f) Administer the Corporation's equity incentive plan or any other equity-based plans, including the review and approval of all grants hereunder; and

(g) Carry out such special assignments as the Board of Directors may, from time to time, give to the Compensation Committee.

5. THE AUDIT COMMITTEE. The Audit Committee shall have and may exercise all of the powers of the full Board of Directors solely with regard to those matters which are within the scope of the Audit Committee's designated duties, as provided herein.

The Audit Committee shall:

(a) Select and engage the independent certified public accountants to audit the financial statements of the Corporation and its subsidiaries;

(b) Meet with the independent auditors and financial management of the Corporation to review the scope of the proposed audit for the current year and the audit procedures to be utilized, and at the conclusion thereof, review such audit including any comments or recommendations of the independent auditors;

(c) Review the internal audit function of the Corporation including the independence and authority of its reporting obligations, the proposed audit plans for the coming year, the coordination of such plans with the independent auditors, and summaries of findings of completed audits;

(d) Review with the independent accountants and management the financial statements to determine that the independent auditors are satisfied with the disclosure and content of the financial statements;

(e) Review with the independent auditors, the Corporation's internal auditor, and financial and accounting personnel, the adequacy and effectiveness of the accounting and financial controls of the Corporation;

(f) Provide sufficient opportunity for the internal and independent auditors to meet with the members of the Audit Committee without members of management present;

(g) Review related party transactions and conflict of interest statements for appropriateness;

(h) Carry out such special assignments as the Board of Directors may, from time to time, give to the Audit Committee.

B. SPECIAL COMMITTEES. In addition to the foregoing Regular Committees, the Board of Directors may, from time to time, establish Special Committees and specify the composition, functions and authority of any such Special Committee.

C. VACANCIES; TEMPORARY APPOINTMENTS. When, for any cause, a vacancy occurs in any Regular Committee, the remaining committee members, by majority vote, may fill such vacancy by a temporary appointment of a director on the Board of Directors not on the subject committee to fill the vacancy until the next Board Meeting at which time the full Board of Directors shall fill the vacancy.

D. ALTERNATE COMMITTEE MEMBERS. All members of the Board of Directors who are not members of a given committee shall be alternate members of such committee and may take the place of any absent member or members at any meeting of such committee, upon request by the Chairman of the Board of Directors, if there is one, the President or upon request by the chairman of such meeting.

E. COMMITTEE MINUTES AND REPORTS. All of the foregoing committees shall keep minutes and records of all of their meetings and activities and shall report the same to the Board of Directors at its next regular meeting. Such minutes and records shall be available for inspection by the directors at all times.

ARTICLE IV. OFFICERS

4.01. GENERALLY. The principal officers of the Corporation shall be a Chairman of the Board (Chief Executive Officer), a President, one (1) or more Vice Presidents designated as executive officers, a Chief Financial Officer, a Secretary, and a Treasurer. The Board of Directors shall elect the principal officers annually at the Annual Meeting. All such officers shall hold office for a period of one (1) year and until their successors are duly elected and qualified, or until their prior death, resignation or removal. Additionally, one or more Vice Presidents not

designated as executive officers may be appointed by the President to serve at the will of the President.

4.02. REMOVAL. Any officer or agent may be removed by the Board of Directors with or without cause whenever in its judgment the best interests of the Corporation would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Election or appointment shall not of itself create contract rights.

4.03. VACANCIES. A vacancy in any principal office because of death, resignation, removal, or otherwise, shall be filled by the Board of Directors for the unexpired portion of the term. The Board of Directors may, from time to time, omit to elect one (1) or more officers, or may omit to fill a vacancy, and in such case, the designated duties of such officer, unless otherwise provided in these Bylaws, shall be discharged by the Chairman of the Board or such other officers as he or she may designate.

4.04. CHAIRMAN OF THE BOARD. The Chairman of the Board, who shall also be the Chief Executive Officer, shall preside at all meetings of the Shareholders and of the directors and shall do and perform such other duties as from time to time may be assigned to that office by the Board of Directors.

4.05. PRESIDENT. The President shall have general supervision of the business and affairs of the Corporation. The President may sign and execute all authorized bonds, notes, checks, contracts, or other obligations in the name of the Corporation. The President shall perform such other duties as from time to time may be assigned to him or her by the Board of Directors.

4.06. VICE PRESIDENTS. Should the Chairman of the Board or the President be absent or unable to act, the Board of Directors shall designate a Vice President or other officer to discharge the duties of the vacant office with the same power and authority as is vested in that office. The Vice Presidents shall perform such other duties as from time to time may be assigned to them by the President or the Board of Directors. Vice Presidents appointed by the President shall perform such duties as may be assigned to them from time to time by the President or these Bylaws and shall serve at the will of the President and may be removed by the President at any time without action of the Board of Directors.

4.07. SECRETARY. The Secretary shall keep a record of the minutes of the meetings of the Shareholders, the Board of Directors and any committees of the Board of Directors. He or she shall countersign all instruments and documents executed by the Corporation; affix to instruments and documents the seal of the Corporation; keep in books therefore the transactions of the Corporation; see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law; and perform such other duties as usually are incident to such office or as may be assigned by the Chairman of the Board, the President or the Board of Directors.

4.08. CHIEF FINANCIAL OFFICER. The Chief Financial Officer shall have overall charge of all of the financial affairs of the Corporation, including charge and custody of and

responsibility for the Corporation's books of account. The Chief Financial Officer shall perform such duties as usually are incident to such office or as may be assigned by the Chairman of the Board, the President or the Board of Directors.

4.09. TREASURER. The Treasurer, subject to the control of the Board of Directors, shall collect, receive, and safely keep all monies, funds and securities of the Corporation, and attend to all its pecuniary affairs, and perform such other duties as usually are incident to such office or as may be assigned by the Chairman of the Board, the President, the Chief Financial Officer or the Board of Directors.

4.10. ASSISTANTS AND ACTING OFFICERS. The Chairman of the Board, the President and the Board of Directors shall each have the power to appoint any person to act as assistant to any officer, or as agent for the Corporation in the officer's stead, or to perform the duties of such officer whenever for any reason it is impracticable for the officer to act personally, and the assistant or acting officer or other agent so appointed by the Chairman of the Board, the President or the Board of Directors shall have the power to perform all the duties of the office to which he or she is so appointed to be assistant, or as to which he or she is so appointed to act, except as such power otherwise may be defined or restricted by the Chairman of the Board, the President or the Board of Directors. Any person appointed to act as assistant to any officer, or as agent for the Corporation in the officer's stead, or to perform the duties of such officer whenever for any reason it is impracticable for the officer to act personally, shall serve at the will of the President and may be removed at any time by the President without action of the Board of Directors.

ARTICLE V. FUNDS OF THE CORPORATION

5.01. FUNDS. All funds of the Corporation shall be deposited or invested in such depositories or in such securities as may be authorized from time to time by the Board of Directors or appropriate committee under authorization of the Board of Directors.

5.02. NAME. All investments and deposits of funds of the Corporation shall be made and held in its corporate name, except that securities kept under a custodial agreement or trust arrangement with a bank or banking and trust company may be issued in the name of a nominee of such bank or banking and trust company and except that securities may be acquired and held in bearer form.

5.03. LOANS. All loans contracted on behalf of the Corporation and all evidences of indebtedness that are issued in the name of the Corporation shall be under the authority of a resolution of the Board of Directors. Such authorization may be general or specific.

5.04. CONTRACTS. The Board of Directors may authorize one (1) or more officers, or agents, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation. Such authorization may be general or specific. In the absence of other designation, all deeds, mortgages and instruments of assignment or pledge made by the

Corporation shall be executed in the name of the Corporation by the Chairman of the Board, the President or one of the Vice Presidents and by the Secretary or Treasurer; the Secretary, when necessary or required, shall affix the corporate seal thereto; and when so executed no other party to such instrument or any third party shall be required to make any inquiry into the authority of the signing officer or officers.

5.05. DISBURSEMENTS. All monies of the Corporation shall be disbursed by check, draft, or written order only, and all checks and orders for the payment of money shall be signed by such officer or officers as may be designated by the Board of Directors. The officers and employees of the Corporation handling funds and securities of the Corporation shall give surety bonds in such sums as the Board of Directors or appropriate committee may require.

5.06. PROHIBITED TRANSACTIONS. No directors or officer of the Corporation shall borrow money from the Corporation, or receive any compensation for selling, aiding in the sale, or negotiating for the sale of any property belonging to the Corporation, or for negotiating any loan for or by the Corporation.

5.07. VOTING OF SECURITIES OWNED BY THIS CORPORATION. Subject always to the specific directions of the Board of Directors:

A. Any shares or other securities issued by any other corporation and owned or controlled by this Corporation may be voted at any meeting of security holders of such other corporation by the Chairman of the Board, the President or in their absence any Vice President of this Corporation who may be present and designated by the Board of Directors; and

B. Whenever, in the judgment of the Chairman of the Board, the President, or in their absence, a designated Vice President, it is desirable for this Corporation to execute a proxy or written consent in respect to any shares or other securities issued by any other corporation and owned by this Corporation, such proxy or consent shall be executed in the name of this Corporation by the Chairman of the Board, the President, or a designated Vice President of this Corporation in the order as provided in Subsection A, without necessity of any authorization by the Board of Directors, affixation of corporate seal or countersignature or attestation by another officer. Any person or persons designated in the manner above stated as the proxy or proxies of this Corporation shall have full right, power and authority to vote the shares or other securities issued by such other corporation and owned by this Corporation the same as such shares or other securities might be voted by this Corporation.

ARTICLE VI. CERTIFICATES FOR SHARES AND THEIR TRANSFER

6.01. CERTIFICATES FOR SHARES. Certificates representing shares of the Corporation shall be in such form, consistent with law, as shall be determined by the Board of Directors. Such Certificates shall be signed by the Chairman of the Board, the President, or a

Vice President, and the Secretary, or by another officer designated by the Chairman of the Board, the President or the Board of Directors. All certificates for shares shall be consecutively numbered or otherwise identified. The name and address of the person to whom the shares represented thereby are issued, with the number of shares and date of issue, shall be entered on the stock transfer books of the Corporation. All certificates surrendered to the Corporation for transfer shall be canceled and no new certificate shall be issued until the former certificate for a like number of shares shall have been surrendered and canceled, except as provided in Section 6.06.

6.02. FACSIMILE SIGNATURES AND SEAL. The seal of the Corporation on any certificates for shares may be a facsimile. The signature of the Chairman of the Board, the President or other authorized officer upon a certificate may be a facsimile if the certificate is manually signed on behalf of a transfer agent, or a registrar, other than the Corporation itself or an employee of the Corporation.

6.03. SIGNATURE BY FORMER OFFICER. In case any officer who has signed or whose facsimile signature has been placed upon any certificate for shares shall have ceased to be such officer before such certificate is issued, it may be issued by the Corporation with the same effect as if he or she were such officer at the date of its issue.

6.04. TRANSFER OF SHARES. Prior to due presentment of a certificate for shares for registration of transfer, the Corporation may treat the Shareholder of such shares as the person exclusively entitled to vote, to receive notifications and otherwise to have and exercise all the rights and powers of an owner. Where a certificate for shares is presented to the Corporation with a request to register for transfer, the Corporation shall not be liable to the owner or any other person suffering loss as a result of such registration of transfer if:

A. There were on or with the certificate the necessary endorsements; and

B. The Corporation had no duty to inquire into adverse claims or has discharged any such duty.

The Corporation may require reasonable assurance that said endorsements are genuine and effective and in compliance with such other regulations as may be prescribed by or under the authority of the Board of Directors:

6.05. RESTRICTIONS ON TRANSFER. The face or reverse side of each certificate representing shares shall bear a conspicuous notation of any restriction imposed by the Corporation upon the transfer of such shares.

6.06. LOST, DESTROYED OR STOLEN CERTIFICATES. Where the owner claims that his or her certificate for shares has been lost, destroyed or wrongfully taken, a new certificate shall be issued in place thereof if the owner:

A. So requests before the Corporation has notice that such shares have been acquired by a bona fide purchaser;

B. If required by the Corporation, files with the Corporation a sufficient indemnity bond; and

C. Satisfies such other reasonable requirements as may be prescribed by or under the authority of the Board of Directors.

6.07. CONSIDERATION FOR SHARES. The shares of the Corporation may be issued for such consideration as shall be fixed from time to time by the Board of Directors, provided that any shares having a par value shall not be issued for a consideration less than the par value thereof. The consideration to be received for shares may consist of any tangible or intangible property or benefit to the Corporation, including cash, promissory notes, services performed, contracts for services to be performed or other securities of the Corporation. When the Corporation receives the consideration for which the Board of Directors authorized the issuance of shares, the shares issued for that consideration are fully paid and nonassessable, except as provided by Section 180.0622 of the Wisconsin Business Corporation Law which may require further assessment for unpaid wages to employees under certain circumstances. The Corporation may place in escrow shares issued for a contract for future services or benefits or a promissory note, or make other arrangements to restrict the transfer of the shares, and may credit distributions in respect of the shares against their purchase price, until the services are performed, the benefits are received or the note is paid. If the services are not performed, the benefits are not received or the note is not paid, the Corporation may cancel, in whole or in part, the shares escrowed or restricted and the distributions credited.

6.08. UNCERTIFICATED SHARES. In accordance with Section 180.0626 of the Wisconsin Business Corporation Law, the Board of Directors may issue any shares of any of its classes or series without certificates. The authorization does not affect shares already represented by certificates until the certificates are surrendered to the Corporation. Within a reasonable time after the issuance or transfer of shares without certificates, the Corporation shall send the Shareholder a written statement of the information required on share certificates by Sections 180.0625 and 180.0627, if applicable, of the Wisconsin Business Corporation Law, and by the Bylaws of the Corporation.

The Corporation shall maintain at its offices, or at the office of its transfer agent, an original or duplicate stock transfer book containing the names and addresses of all Shareholders and the number of shares held by each Shareholder. If the shares are uncertificated, the Corporation shall be entitled to recognize the exclusive right of a person registered on its books as such, as the owner of shares for all purposes, and shall not be bound to recognize any equitable or other claim to or interest in such shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of the State of Wisconsin.

6.09. TRANSFER AGENT AND REGISTRAR. The Corporation may maintain one (1) or more transfer offices or agencies, each in charge of a transfer agent designated by the Board of Directors, where the shares of stock of the Corporation shall be transferable. The Corporation also may maintain one (1) or more registry offices, each in charge of a registrar designated by the Board of Directors, where such shares of stock shall be registered. The same person or entity may be both a transfer agent and registrar.

6.10. STOCK REGULATIONS. The Board of Directors shall have the power and authority to make all such further rules and regulations not inconsistent with the laws of the State of Wisconsin as it may deem expedient concerning the issue, transfer and registration of certificates representing shares of the Corporation.

ARTICLE VII. INDEMNIFICATION

7.01. INDEMNIFICATION FOR SPECIAL DEFENSE. Within twenty (20) days after receipt of a written request pursuant to Section 7.03, the Corporation shall indemnify a director or officer, to the extent he or she has been successful on the merits or otherwise in the defense of a proceeding, for all reasonable expenses incurred in the proceeding if the director or officer was a party because he or she is a director or officer of the Corporation.

7.02. OTHER INDEMNIFICATION.

A. In cases not included under Section 7.01, the Corporation shall indemnify a director or officer against all liabilities and expenses incurred by the director or officer in a proceeding to which the director or officer was a party because he or she is a director or officer of the Corporation, unless liability was incurred because the director or officer breached or failed to perform a duty he or she owes to the Corporation and the breach or failure to perform constitutes any of the following:

1. A willful failure to deal fairly with the Corporation or its Shareholders in connection with a matter in which the director or officer has a material conflict of interest.

2. A violation of criminal law, unless the director or officer had reasonable cause to believe that his or her conduct was lawful or no reasonable cause to believe that his or her conduct was unlawful.

3. A transaction from which the director or officer derived an improper personal profit.

4. Willful conduct.

B. Determination of whether indemnification is required under the Section shall be made pursuant to Section 7.05.

C. The termination of a proceeding by judgment, order, settlement or conviction, or upon a plea of no contest or an equivalent plea, does not, by itself, create a presumption that indemnification of the director or officer is not required under this Section.

7.03. WRITTEN REQUEST. A director or officer who seeks indemnification under Section 7.01 or 7.02 shall make a written request to the Corporation.

7.04. NONDUPLICATION. The Corporation shall not indemnify a director or officer under Sections 7.01 or 7.02 to the extent the director or officer has previously received indemnification or allowances of expenses from any person, including the Corporation, in connection with the same proceeding. However, the director or officer has no duty to look to any other person for indemnification.

7.05. DETERMINATION OF RIGHT TO INDEMNIFICATION.

A. Unless otherwise provided by the Articles of Incorporation or by written agreement between the director or officer and the Corporation, the director or officer seeking indemnification under Section 7.02 shall select one (1) of the following means for determining his or her right to indemnification:

1. By a majority vote of a quorum of the Board of Directors consisting of directors not at the time parties to the same or related proceedings. If a quorum of disinterested directors cannot be obtained, by majority vote of a committee duly appointed by the Board of Directors and consisting of two (2) or more directors who are not at the time parties to the same or related proceedings. Directors who are parties to the same or related proceedings may participate in the designation of members of the committee.

2. By independent legal counsel selected by a quorum of the Board of Directors or its committee in the manner prescribed in 1 of Subsection A, if unable to obtain such a quorum or committee, by a majority vote of the full Board of Directors, including directors who are parties to the same or related proceedings.

3. By a panel of three (3) arbitrators consisting of one (1) arbitrator selected by those directors entitled under 2 of Subsection A to select independent legal counsel, one (1) arbitrator selected by the director or officer seeking indemnification and one (1) arbitrator selected by two (2) arbitrators previously selected.

4. By an affirmative vote of shares represented at a meeting of Shareholders at which a quorum of the voting group entitled to vote thereon is present. Shares owned by, or voted under the control of, persons who are at the

time parties to the same or related proceedings, whether as plaintiffs or defendants or in any other capacity, may not be voted in making the determination.

5. By a court under Section 7.08.

6. By any other method provided for in any additional right to indemnification permitted under Section 7.07.

B. In any determination under Subsection A, the burden of proof is on the Corporation to prove by clear and convincing evidence that indemnification under Section 7.02 should not be allowed.

C. A written determination as to a director's or officer's indemnification under Section 7.02 shall be submitted to both the Corporation and the director or officer within sixty (60) days of the selection made under Subsection A.

D. If it is determined that indemnification is required under Section 7.02, the Corporation shall pay all liabilities and expenses not prohibited by Section 7.04 within ten (10) days after receipt of the written determination under Subsection C. The Corporation shall also pay all expenses incurred by the director or officer in the determination of process under Subsection A.

7.06. ADVANCE OF EXPENSES. Within ten (10) days after receipt of a written request by a director or officer who is a party to a proceeding, the Corporation shall pay or reimburse his or her reasonable expenses incurred if the director or officer provides the Corporation with all of the following:

A. A written affirmation of his or her good faith belief that he or she has not breached or failed to perform his or her duties to the Corporation.

B. A written undertaking, executed personally or on his or her behalf, to repay the allowance to the extent that it is ultimately determined under Section 7.05 that indemnification under Section 7.02 is not required and that indemnification is not ordered by a court under Section 7.08(B)(2). The undertaking under this subsection shall be an unlimited general obligation of the director or officer and may be accepted without reference to his or her ability to repay the allowance. The undertaking may be secured or unsecured.

7.07. NONEXCLUSIVITY.

A. Except as provided in Subsection B, Sections 7.01, 7.02 and 7.06 do not preclude any additional right to indemnification or allowance of expenses that a director or officer may have under any of the following:

1. The Articles of Incorporation.

2. A written agreement between the director or officer and the Corporation.

3. A resolution of the Board of Directors.

4. A resolution, after notice, adopted by a majority vote of all of the Corporation's voting shares then issued and outstanding.

B. Regardless of the existence of an additional right under Subsection A, the Corporation shall not indemnify a director or officer, or permit a director or officer to retain any allowance of expenses unless it is determined by or on behalf of the Corporation that the director or officer did not breach or fail to perform a duty he or she owes to the Corporation which constitutes conduct under Section 7.02(A)(1), (2), (3) or (4). A director or officer who is a party to the same or related proceeding for which indemnification or an allowance of expenses is sought may not participate in a determination under this subsection.

C. Sections 7.01 to 7.13 do not affect the Corporation's power to pay or reimburse expenses incurred by a director or officer in any of the following circumstances.

1. As a witness in a proceeding to which he or she is not a party.

2. As a plaintiff or petitioner in a proceeding because he or she is or was an employee, agent, director or officer of the Corporation.

7.08 COURT-ORDERED INDEMNIFICATION.

A. Except as provided otherwise by written agreement between the director or officer and the Corporation, a director or officer who is a party to a proceeding may apply for indemnification to the court conducting the proceeding or to another court of competent jurisdiction. Application shall be made for an initial determination by the court under Section 7.05(a)(5) or for review by the court of an adverse determination under Section 7.05(A)(1), (2), (3), (4), or (6). After receipt of an application, the court shall give any notice it considers necessary.

B. The court shall order indemnification if it determines any of the following:

1. That the director or officer is entitled to indemnification under Sections 7.01 or 7.02.

2. That the director or officer is fairly and reasonably entitled to indemnification in view of all the relevant circumstances, regardless of whether indemnification is required under Section 7.02.

C. If the court determines under Subsection B that the director or officer is entitled to indemnification, the Corporation shall pay the director's or officer's expenses incurred to obtain the court-ordered indemnification.

7.09. INDEMNIFICATION AND ALLOWANCE OF EXPENSES OF EMPLOYEES AND AGENTS. The Corporation shall indemnify an employee of the Corporation who is not a director or officer of the Corporation, to the extent that he or she has been successful on the merits or otherwise in defense of a proceeding, for all reasonable expenses incurred in the proceeding if the employee was a party because he or she was an employee of the Corporation. In addition, the Corporation may indemnify and allow reasonable expenses of an employee or agent who is not a director or officer of the Corporation to the extent provided by (i) the Articles of Incorporation, (ii) these Bylaws, (iii) general or specific action of the Board of Directors, or (iv) by contract; provided however, that the Corporation may not provide such indemnification to the extent prohibited by law.

7.10. INSURANCE. The Corporation may purchase and maintain insurance on behalf of an individual who is an employee, agent, director or officer of the Corporation against liability asserted against or incurred by the individual in his or her capacity as an employee, agent, director or officer, regardless of whether the Corporation is required or authorized to indemnify or allow expenses to the individual against the same liability.

7.11. SECURITIES LAW CLAIMS.

A. Pursuant to the public policy of the State of Wisconsin, the Corporation shall provide indemnification and allowance of expenses and may insure for any liability incurred in connection with a proceeding involving securities regulation described under Subsection B to the extent required or permitted under Sections 7.01 to 7.10.

B. Sections 7.01 to 7.10 apply, to the extent applicable to any other proceeding, to any proceeding involving federal or state statute, rule or regulation regulating the offer, sale or purchase of securities, securities brokers or dealers, or investment companies or investment advisers.

7.12. LIBERAL CONSTRUCTION. In order for the Corporation to obtain and retain qualified directors, officers and employees, the foregoing provisions shall be liberally administered in order to afford maximum indemnification of directors, officers and, where Section 7.09 of these Bylaws applies, employees. The indemnification above provided for shall be granted in all applicable cases unless to do so would clearly contravene law, controlling precedent or public policy.

7.13. DEFINITIONS APPLICABLE TO THIS ARTICLE. For purposes of the Article:

A. "Affiliate" shall include, without limitation, any corporation, partnership, joint venture, employee benefit plan, trust or other enterprise that directly or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, the Corporation.

B. "Corporation" means this Corporation and any domestic or foreign predecessor of this Corporation where the predecessor corporation's existence ceased upon the consummation of a merger or other transaction.

C. "Director or Officer" means any of the following:

1. An individual who is or was a director or officer of this Corporation.

2. An individual who, while a director or officer of this Corporation, is or was serving at the Corporation's request as a director, officer, partner, trustee, member of any governing or decision-making committee, employee or agent of another corporation or foreign corporation, partnership, joint venture, trust or other enterprise.

3. An individual who, while a director or officer of this Corporation, is or was serving an employee benefit plan because his or her duties to the Corporation also impose duties on, or otherwise involve service by, the person to the plan or to participants in or beneficiaries of the plan.

4. Unless the context requires otherwise, the estate or personal representative of a director or officer.

For purposes of this Article, it shall be conclusively presumed that any director or officer serving as a director, officer, partner, trustee, member of any governing or decision-making committee, employee or agent of an Affiliate shall be so serving at the request of the Corporation.

D. "Expenses" include fees, costs, charges, disbursements, attorney fees and other expenses incurred in connection with a proceeding.

E. "Liability" includes the obligation to pay a judgment, settlement, penalty, assessment, forfeiture or fine, including an excise tax assessed with respect to an employee benefit plan, and reasonable expenses.

F. "Party" includes an individual who was or it, or who is threatened to be made, a named defendant or respondent in a proceeding.

G. "Proceeding" means any threatened, pending or completed civil, criminal, administrative or investigative action, suit, arbitration or other proceeding, whether formal or informal, which involves foreign, federal, state or local law and which is brought by or in the right of the Corporation or by any other person.

ARTICLE VIII. CORPORATE DIVIDENDS

The Board of Directors may from time to time declare dividends on its outstanding shares in the manner and upon the terms and conditions provided by law and its Articles of Incorporation.

ARTICLE IX. CORPORATE SEAL

The Board of Directors may provide a corporate seal which may be circular in form and may have inscribed thereon the name of the Corporation and the state of incorporation and the words "Corporate Seal."

ARTICLE X. FISCAL YEAR

The fiscal year shall be set by the Board of Directors.

ARTICLE XI. AMENDMENTS

11.01. BY SHAREHOLDERS. These Bylaws may be altered, amended or repealed and new Bylaws may be adopted by the Shareholders by affirmative vote of not less than a majority of the shares present or represented at an annual or special meeting of the Shareholders at which a quorum is in attendance.

11.02. BY DIRECTORS. These Bylaws may also be altered, amended or repealed and new Bylaws may be adopted by the Board of Directors by affirmative vote of a majority of the number of directors present at or participating in any meeting at which a quorum is in attendance; but no bylaw adopted by the Shareholders shall be amended or repealed by the Board of Directors if the bylaw so adopted so provides.

11.03. IMPLIED AMENDMENTS. Any action taken or authorized by the Shareholders or by the Board of Directors, which would be inconsistent with the Bylaws then in effect but is taken or authorized by affirmative vote of not less than the number of shares or the number of directors required to amend the Bylaws so that the Bylaws would be consistent with such action, shall be given the same effect as though the Bylaws had been temporarily amended or suspended so far, but only so far, as is necessary to permit the specific action so taken or authorized.

STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 09:00 AM 03/14/1994
944040060 - 2386314

ARTICLES OF INCORPORATION

OF

AMERICAN MEDICAL SECURITY OF GREEN BAY, INC.

These Articles of Incorporation are executed by the undersigned for the purpose of forming a Delaware corporation under the General Corporation Law of Delaware.

ARTICLE I

Name

The name of the corporation is American Medical Security of Green Bay, Inc.

ARTICLE II

Existence

The period of existence of the corporation shall be perpetual.

ARTICLE III

Purpose

The corporation is authorized to engage in any lawful activity for which corporations may be organized under the General Corporation Law of Delaware.

ARTICLE IV

Number of Shares

The aggregate number of shares which the corporation shall have authority to issue is Ten Thousand (10,000) shares of stock consisting of one class only, designated as "common stock" have a par value of One Cent ($.01) each.

ARTICLE V

Registered Office

The registered office of the corporation in the state of Delaware is located at 1209 Orange Street, in the City of Wilmington, County of New Castle, 19801, and the name of its initial registered agent at such address is The Corporation Trust Company.

ARTICLE VI

Directors

The number of directors constituting the initial Board of Directors of the corporation shall be as provided in the By-laws of the corporation. The number of directors of the corporation may, however, be changed from time to time by the By-laws of the corporation, but in no case shall be less than one (1).

ARTICLE VI

Incorporator

The name and address of the incorporator is Timothy J Dolata, 3100 AMS Boulevard Green Bay, WI 54313.

Executed in duplicate this 7th day of March, 1994.

Timothy J. Dolata

This instrument was drafted by
Julie Ann Dubey
3100 AMS Boulevard
Green Bay, WI 54313
1-800-232-5432 Ext. 3064

State of Delaware

Office of the Secretary of State

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF AMENDMENT OF "AMERICAN MEDICAL SECURITY OF GREEN BAY, INC.", CHANGING ITS NAME FROM "AMERICAN MEDICAL SECURITY OF GREEN BAY, INC." TO "AMERICAN MEDICAL SECURITY, INC.", FILED IN THIS OFFICE ON THE TWENTY-NINTH DAY OF DECEMBER, A.D. 1994, AT 10:01 O'CLOCK A.M.

A CERTIFIED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO THE NEW CASTLE COUNTY RECORDER OF DEEDS FOR RECORDING.

Edward J. Freel, Secretary of State

2386314 8100

944259053

AUTHENTICATION: 7358174

DATE: 12-29-94

CERTIFICATE OF AMENDMENT
OF CERTIFICATE OF INCORPORATION

AMERICAN MEDICAL SECURITY OF GREEN BAY, INC., a corporation duly organized and existing under and by virtue of the General Corporation Law of the State of Delaware, does hereby certify:

FIRST, That the Board of Directors of said corporation, by the unanimous written consent of its members, filed with the minutes of the Board, adopted a Resolution on the 20th day of December, 1994 proposing and declaring advisable the following Amendment to the Certificate of Incorporation of said corporation:

RESOLVED: That the Certificate of Incorporation of the corporation be amended by changing the Article thereof numbered "I" (One), to be effective as of January 1, 1995, so that as amended said Article shall be and read as follows:

ARTICLE I:
CORPORATE NAME

The name of the Corporation is American Medical Security, Inc.

SECOND, That in lieu of a meeting and a vote of Stockholders, the Stockholders have given written consent to said Amendment in accordance with the provisions of Section 228 of the General Corporation Law of the State of Delaware, and said written consent was filed with the Corporation.

THIRD, That the aforesaid Amendment was duly adopted in accordance with the applicable provisions of Section 242 and 228 of Title 8 of the Delaware Code of 1953 and amendments thereto.

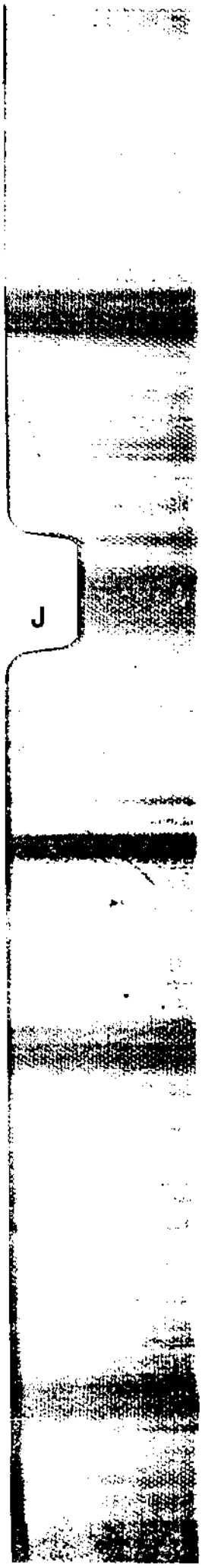
FOURTH, That the capital of said Corporation will not be reduced under or by reason of said amendment.

IN WITNESS WHEREOF, American Medical Security, Inc., Inc. has caused this Certificate to be signed by Wallace J. Hilliard, its President and Timothy J. Dolata, its Secretary, this 20th day of December, 1994.

AMERICAN MEDICAL SECURITY OF GREEN BAY, INC.,

W J Hilliard
WALLACE J. HILLIARD, President

Timothy J. Dolata
TIMOTHY J. DOLATA, Secretary


J

AMENDED AND RESTATED
BYLAWS OF
AMERICAN MEDICAL SECURITY, INC.

As of
June 18, 1997

ARTICLE I. IDENTIFICATION

1.01. NAME. The Corporation's name is American Medical Security, Inc. (the "Corporation").

1.02. PRINCIPAL AND BUSINESS OFFICES. The Corporation may have such principal and other business offices, either in or outside the State of Delaware, as the Board of Directors may designate or as the business of the Corporation may require from time to time.

1.03. REGISTERED AGENT. Pursuant to the registered agent requirements of the General Corporation Law of Delaware, the Corporation shall have a registered agent. The registered agent may be changed from time to time by the Board of Directors or by the registered agent.

1.04. REGISTERED OFFICE. The registered office of the Corporation required by the General Corporation Law of Delaware to be maintained in the State of Delaware, may, but need not, be the same as any of its places of business, and the address of the registered office may be changed from time to time by the Board of Directors or by the registered agent.

ARTICLE II. SHAREHOLDERS

2.01. PLACE OF MEETING. All meetings of the Shareholders of the Corporation shall be held at such times and at such place within or without the State of Delaware as shall be determined by the Board of Directors. If no determination is made, or if a special meeting is otherwise called, the place of the meeting shall be the principal office of the Corporation in the city of Green Bay.

2.02. ANNUAL MEETING. Commencing in the calendar year 1995, an annual meeting of the Shareholders of the Corporation shall be held each year during the second week of May of each year, or on such other date or time as shall be designated from time to time by the Board of Directors. At such meeting, Shareholders shall elect Directors, receive annual reports, and transact such other business as may be properly brought before the meeting.

2.03. SPECIAL MEETING. Special meetings of the Shareholders for any purpose or purposes, unless otherwise prescribed by statute, may be called by the President, the Board of Directors, the Chairman of the Board, or the Vice Chairman upon the Corporation's receipt

of one or more written demands for a special meeting, describing one or more purposes for which it is to be held, signed, dated and delivered by the holders of at least one-third (1/3) of all the votes entitled to be cast on any issue proposed to be considered at the proposed special meeting. Only business within the purpose described in the special meeting notice may be conducted at a special Shareholder's meeting.

2.04. CONDUCT OF MEETINGS. The President, and in his absence, an Executive Vice President, and in his absence, a Senior Vice President, and in their absence, any person chosen by the Shareholders present shall call the meeting of the Shareholders to order and shall act as chairman of the meeting, and the Secretary of the Corporation shall act as secretary of all meetings of the Shareholders, but, in the absence of the Secretary, the presiding Officer may appoint any other person to act as secretary of the meeting.

2.05. ACTION WITHOUT MEETING. Any action required by statute to be taken at a meeting of the Shareholders, or any action which may be taken at a meeting of the Shareholders, may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the Shareholders entitled to vote with respect to the subject matter thereof and such consent shall have the same force and effect as a unanimous vote of the Shareholders. Any such signed consent, or a signed copy thereof, shall be placed in the minute book of the Corporation.

2.06. NOTICE OF MEETING. Unless otherwise prescribed by statute or the Articles of Incorporation or these Bylaws, written or printed notice stating the place, day and hour of the meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than ten (10) nor more than fifty (50) days before the date of the meeting, either personally or by mail, to each Shareholder of record entitled to vote at such meeting, except that, if the authorized shares are to be increased, at least thirty (30) days notice shall be given. If mailed, the notice shall be deemed to be delivered when deposited in the United States mail with postage thereon prepaid, and addressed to the Shareholder at his or her address as it appears on the records of the Corporation.

2.07. WAIVER OF NOTICE BY SHAREHOLDERS. A Shareholder may waive any notice required by the General Corporation Law of Delaware, the Articles of Incorporation or Bylaws before or after the date and time stated in the notice. The waiver shall be in writing and signed by the Shareholder entitled to the notice, contain the same information that would have been required in the notice under any applicable provisions of the General Corporation Law of Delaware, except that the time and place of meeting need not be stated, and be delivered to the Corporation for inclusion in the corporate records.

2.08. FIXING OF RECORD DATE. The Board of Directors may fix in advance a record date for the purpose of determining Shareholders entitled to notice of or to vote at a meeting of the Shareholders or any adjournment thereof, or to express consent to corporate

action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the record date to be not less than ten (10) nor more than sixty (60) days prior to the meeting or any other action; or the Board of Directors may close the stock transfer books for such purpose for a period of at least ten (10), but not to exceed fifty (50) days prior to such meeting. In the absence of any action by the Board of Directors, the date upon which the notice of the meeting is mailed shall be the record date.

If no record date is fixed:

(i) The record date for determining the Shareholders entitled to notice of or to vote at a meeting of the Shareholders shall be at the close of business on the next day preceding the day on which the notice was given, or, if notice is waived, at the close of business on the day net preceding the day on which the meeting is held.

(ii) The record date for determining the Shareholders entitled to express consent to corporation action in writing without a meeting, when no prior action by the Board of Directors is necessary, shall be the day on which the first written consent is expressed.

(iii) The record date for determining the Shareholders for any other purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

A determination of the Shareholders of record entitled to notice of or to vote at a meeting of the Shareholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

2.09. PROXIES. At all meetings of the Shareholders, a Shareholder entitled to vote may vote either in person or by proxy executed in writing by the Shareholder or by his duly authorized attorney-in-fact. Such proxy shall be filed with the Secretary before or at the time of the meeting. No proxy shall be valid after eleven (11) months from the date of its execution, unless otherwise provided in the proxy.

2.10. ACCEPTANCE OF INSTRUMENTS SHOWING SHAREHOLDER ACTION. If the name signed on a vote, consent, waiver or proxy appointment correspond to the name of a Shareholder, the Corporation, if acting in good faith, may accept the vote, consent, waiver or proxy appointment and give it effect as the act of the Shareholder.

2.11. QUORUM. The holders of a majority of the shares issued and outstanding and entitled to vote, represented in person or by proxy, shall constitute a quorum at a meeting of the Shareholders. In the absence of a quorum, a meeting may be adjourned from time to time without notice to the Shareholders.

2.12. INSPECTORS OF ELECTION. Inspectors of election shall be appointed by the Board of Directors or the Executive Committee to act at any meeting of the Shareholders at which any election is held. The Inspectors shall examine proxies, pass upon their regularity, receive the votes and act as tellers, or perform any other duties which the Chairman may require of the at dais meeting.

2.13. VOTING BY BALLOT. Voting in any election for Directors shall be by ballot.

2.14. VOTING LISTS. The Officer who has charge of the stock ledger of the Corporation shall prepare and make, at least ten (10) days before every meeting of Shareholders, a complete list of the Shareholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each Shareholder and the number of shares registered in the name of each Shareholder. Such list shall be open to the examination of any Shareholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten (10) days prior to the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any Shareholder who is present.

2.15 VOTING OF SHARES OF CERTAIN HOLDERS. Shares of capital stock of the Corporation standing in the name of another corporation, domestic or foreign, may be voted by such Officer, agent or proxy as the Bylaws of such corporation may prescribe, or, in the absence of such provision, as the board of Directors of such corporation may determine.

Shares of capital stock of the Corporation standing in the name of a deceased person, a minor ward or an incompetent person, may be voted by his administrator, executor, court-appointed guardian or conservator, either in person or by proxy without a transfer of such shares into the name of such administrator, executor, court-appointed guardian, or conservator. Shares of capital stock of the Corporation standing in the name of a trustee may be voted by him, either in person or by proxy.

Shares of capital stock of the Corporation standing in the name of a receiver may be voted by such receiver, and shares held by or under the control of a receiver may be voted by such receiver without the transfer thereof into his name if authority to do so be contained in an appropriate order of the court by which such receiver was appointed.

A Shareholder whose shares are pledged shall be entitled to vote such shares until the shares have been transferred into the name of the pledgee, and thereafter the pledgee shall be entitled to vote the shares so transferred.

Shares of its own capital stock belonging to this Corporation shall not be voted, directly or indirectly, at any meeting and shall not be counted in determining the total number of outstanding shares at any time, but shares of its own stock held by it in a fiduciary capacity may be voted and shall be counted in determining the total number of outstanding shares at any given time.

ARTICLE III. BOARD OF DIRECTORS

3.01. REQUIREMENT, TENURE, DUTIES AND NUMBER. The Corporation shall have a Board of Directors whom are elected at the first annual meeting and at each annual meeting thereafter. All corporate powers shall be exercised by or under the authority of, and the business affairs of the Corporation shall be managed under the direction of, its Board of Directors, subject to any limitation set forth in the Articles of Incorporation. The Board of Directors of the Corporation shall consist of such number of Directors, not less than one (1) nor more than nine (9), as shall be fixed from time to time by the Board of Directors. The number of Directors may be increased or decreased from time to time by amendment to, or in the manner provided in, the Articles of Incorporation or the Bylaws; provided, however, that a decrease in the number of Directors may not shorten an incumbent Director's term.

A Director may resign at any time by delivering written notice that complies with Article VI to the Board of Directors.

3.02. VACANCIES. If any vacancies occur in the Board of Directors caused by the death, resignation, retirement, disqualification, or removal from office of any Director, or otherwise, or if any new Directorship is created by any increase in the authorized number of Directors, the person to fill the vacancy or the newly created Directorship may be chosen at a special meeting of the Shareholders called for that purpose, or by the affirmative vote of a majority of the remaining Directors, though less than a quorum; and each successor Director so chosen shall be elected for the unexpired term of his predecessor in office. The Directors so chosen shall hold office until the next annual meeting of the Shareholders or until his successor is elected.

3.03. REGULAR MEETINGS. Regular meetings of the Board of Directors, of which no notice shall be necessary, shall be held at such times and places as may be fixed from time to time by resolutions adopted by the Board of Directors and communicated to all Directors. A regular meeting of the Board of Directors shall be held at least once each calendar quarter at such place, date and hour as the Board may appoint. Except as otherwise provided by statute, the Articles of Incorporation or these Bylaws, any and all business may be transacted at any regular meeting.

3.04. SPECIAL MEETINGS. Special meetings of the Board of Directors may be called by or at the request of the President, the Chairman of the Board, the Vice Chairman, or

any two (2) Directors. If requested by a Director, minutes of any special meeting shall be prepared and distributed to each Director.

Notice of any special meeting shall be mailed to or left for the Directors at their offices or homes, or delivered or given in person at any time at least two (2) days prior to the meeting.

3.05. MEETINGS BY ELECTRONIC MEANS. Meetings of the Board of Directors, or Committees of the Board, may be held through the use of conference telephones or other communications equipment whereby all persons participating in the meeting can hear each other. Participation by any Board or Committee member in a meeting so held shall constitute presence in person at the meeting except where participation in the meeting is for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called or convened. The minutes of any such meeting shall be prepared in the same manner as a meeting of the Board of Directors or Committee held in person, except that the communication mode shall be recited in the minutes.

3.06. ACTION WITHOUT MEETING. Unless the Articles of Incorporation or Bylaws provide otherwise, action required or permitted by the General Corporation Law of Delaware be taken at a Board of Directors' meeting may be taken without a meeting if the action is taken by all members of the board. The action shall be evidenced by one or more written consents describing the action taken, signed by each Director and retained by the Corporation. Action taken under this section is effective when the last Director signs the consent, unless the consent specifies a different effective date. A consent signed under this section has the effect of a unanimous vote taken at a meeting at which all Directors were present, and may be described as such in any document.

3.07. NOTICE; WAIVER. Unless the Articles of Incorporation or section 3.04 provide otherwise, regular meetings of the Board of Directors may be held without notice of the date, time, place or purpose of the meeting in conjunction with the General Corporation Law of Delaware (dealing with emergencies).

3.08. QUORUM. A majority of the Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, provided that if less than a majority of the Directors are present at said meeting, a majority of the Directors present may adjourn the meeting from time to time without further notice.

3.09. VOTING REQUIREMENTS. The act of the majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board of Directors except on additions, amendments, repeal, or any changes whatsoever in the Bylaws or the adoption of new Bylaws when the affirmative votes of at least a majority of the members of the Board shall be necessary for the adoption of such changes.

3.10. CONDUCT OF MEETINGS. The President, and in his absence, an Executive Vice President, and in his absence, a Senior Vice President, and in their absence, any Director chosen by the Directors present, shall call meetings of the Board of Directors to order and shall act as chairman of the meeting. The Secretary of the Corporation shall act as secretary of all meetings of the Board of Directors, but in absence of the Secretary, the presiding Officer may appoint any Assistant Secretary or any Director or other person present to act as secretary of the meeting.

3.11. COMPENSATION. The Board of Directors shall have the authority to determine from time to time the amount of compensation, if any, which shall be paid to its members for their services as Directors and members of the Executive Committee and other standing or special committees of the Board. Such compensation shall be subject to approval by the Shareholders. Nothing herein contained shall be construed to preclude any Directors from serving the Corporation in any other capacity and receiving compensation therefore.

ARTICLE IV. THE EXECUTIVE COMMITTEE

4.01. NUMBER, TENURE AND QUORUM. The Directors may, at any meeting, appoint three (3) Directors who, with the Chairman of the Board and Vice Chairman (if a Vice Chairman has been elected by the Board) shall constitute and be called the Executive Committee. In case of the absence or inability to act of either the Chairman of the Board or the Vice Chairman, the President shall act as a member of the Executive Committee, and at any time when the office of the Vice Chairman shall be vacant, the President shall be a member of the Executive Committee. Each Director so appointed shall act as a member of the Committee until another is appointed and acts in his place; two (2) members of the Committee (except the Chairman of the Board and the Vice Chairman, if a Vice Chairman has been elected by the Board, and the President, if he shall be a permanent member of the Executive Committee because the office of the Vice Chairman is vacant) shall, when convenient, be changed at each regular quarterly meeting of the Board, the members retiring by seniority of appointment, unless otherwise desired by the Board. The Chairman of the Board shall preside at meetings of the Committee. In the absence or disqualification of a member of the Committee, the members thereof present at any meeting not disqualified from voting, whether or not they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in place of any such absent or disqualified member.

In case of the absence or inability to act as Chairman of the Board, or upon his request, the duties and powers given to him in this section shall vest in the Vice Chairman, and in his absence or inability to act, or if the office of the Vice Chairman shall be vacant, shall vest in the President.

Three (3) members of the Executive Committee shall constitute a quorum for the transaction of business.

4.02. POWERS. The Executive Committee may, while the Board of Directors is not in session, exercise all or any of the powers of the Board of Directors; except that the Executive Committee shall not have the power or authority of the Board of Directors in reference to amending the Certificate of Incorporation, adopting an agreement of merger or consolidation, recommending to the Shareholders the sale, lease or exchange of all or substantially all of the Corporation's property and assets, recommending to the Shareholders a dissolution of the Corporation or a revocation of a dissolution, or amending the Bylaws of the Corporation, or declaring a dividend or authorizing the issuance of stock.

4.03. MEETINGS. Meetings of the Executive Committee shall be held at the office of the company, or elsewhere, and at such time as they may appoint, but the Committee shall at all times be subject to the call of the Chairman of the Board or any member of the Committee.

4.04. RECORDS AND REPORTS. The Executive Committee, through the Secretary or any Assistant Secretary, shall keep books of separate minutes and report all of its action at every regular meeting of the Board of Directors, or as often as may be required by the Board.

ARTICLE V. OFFICERS

5.01. REQUIREMENT AND NUMBER. The Officers of the Corporation shall be a President, an Executive Vice President, one or more Senior Vice Presidents, one or more Vice Presidents, a Secretary and a Treasurer and one or more Assistant Secretaries or Assistant Treasurers as may be determined from time to time by the Board, however, such Vice Presidents (excluding the Executive Vice President and the Senior Vice Presidents) shall not be considered Officers of the Corporation for regulatory purposes. Any two (2) or more offices may be held by the same person. The Officers of the Corporation shall be elected by the Board of Directors upon a majority vote of those Directors present in quorum, at the initial organizational meeting of the Board of Directors and annually thereafter at the first meeting of the Board of Directors held after each annual meeting of the Shareholders beginning with the second annual meeting of the Shareholders. If the election of the Officers shall not be held at such meeting in any year, such election shall be held as soon thereafter as possible. Vacancies or new offices may be filled at any time.

5.02. ELECTION, APPOINTMENT AND TERM OF OFFICE. The President, Executive Vice President, Senior Vice President, Secretary, Treasurer and Assistant Secretaries and Assistant Treasurers of the Corporation shall be elected annually by the Board of Directors at the first meeting of the Board of Directors held after each annual meeting of the Shareholders. If the election of Officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be. Additionally, one or more Vice Presidents

may be appointed by the President to serve at the will of the President. Each Officer shall hold office until his successor shall have been duly elected or appointed or until his prior death, resignation or removal.

5.03. RESIGNATION. An Officer may resign at any time by delivering notice to the Corporation that complies with Article VI. The resignation is effective when the notice is delivered, unless the notice specifies a later effective date and the Corporation accepts the later effective date. If a resignation is effective at a later date, the Corporation's Board of Directors may fill the pending vacancy before the effective date if the Board of Directors provides that the successor may not take office until the effective date.

5.04. REMOVAL. The Board of Directors may remove any Officer or agent whenever in its judgment the best interests of the Corporation would be served thereby, but the removal shall be without prejudice to the contract rights, if any, of the person so removed. Appointment shall not of itself create contract rights. An Officer may remove, with or without cause, any Officer or Assistant Officer who was appointed by that Officer. In addition, Vice Presidents (excluding the Executive Vice President and the Senior Vice Presidents) may be removed by the President.

5.05. VACANCIES. Any vacancy in any office for any cause may be filled by the Board of Directors

5.06. DUTIES OF OFFICERS. Each Officer has the authority and shall perform the duties set forth in these Bylaws or, to the extent not inconsistent with the Bylaws, the duties prescribed by the Board of Directors or by direction of an Officer authorized by the Bylaws or by the Board of Directors to prescribe the duties of other Officers.

5.07. PRESIDENT. The President shall be the Chief Executive Officer of the Corporation, and shall have general direction of the affairs of the Corporation and general supervision over its several Officers, subject however, to the control of the Board of Directors. The President shall preside at all meetings of the Board of Directors. He shall have the authority to cause the employment, or appointment of and the discharge of employees and agents of the Corporation, other than the Officers and excluding the Vice Presidents as set forth in section 5.10 below, and fix their compensation when granted such authority by the Board, suspend for cause, pending final action by the authority which shall have elected or appointed him, any Officer subordinate to the President, make and sign bonds, deeds, contracts, and agreements in the name of and on behalf of the Corporation, and sign stock certificates. Additionally, one or more Vice Presidents, as set forth in section 5.02 above, may be appointed by the President to serve at the will of the President. The President shall put into operation the business policies of the Corporation as determined by the Board, and as communicated to him. In carrying out such business policies, the President shall, subject to the supervision of the Board, have general management and control of the day-to-day business operations of the Corporation. He shall see that the books, reports, statements, and certificates

required by statutes or laws applicable to the Corporation are properly kept, made and filed according to law. The President shall be subject only to the authority of the Board in carrying out his duties; however, the President of the Corporation can vote on behalf of the Corporation where the Corporation is the sole Shareholder of any subsidiary of the Corporation. In the absence or disability of the President, his duties shall be performed and his powers may be exercised by the Executive Vice President, unless otherwise determined by the President or the Board. In the absence or inability to act of the Chairman of the Board and the Vice Chairman, or if the office of the Vice Chairman shall be vacant, the President shall have and exercise all their powers and duties.

5.08. EXECUTIVE VICE PRESIDENT. At the request of the President, or in the incapacity of the President, the Executive Vice President shall perform the duties of the President, and, when so acting, shall have all the powers of, and be subject to all restrictions upon, the President. Any action taken by the Executive Vice President in the performance of the duties of the President shall be conclusive evidence of the absence or inability of the President to act at the time such action was taken. The Executive Vice President shall perform such other duties as may, from time to time, be assigned to him by the Board, the President, the Chairman of the Board, the Executive Vice Chairman, or these Bylaws. The Executive Vice President may also sign with the Secretary or an Assistant Secretary, certificates of the stock of the Corporation. If more than one Executive Vice President is elected, said Executive Vice Presidents shall perform such duties as may be assigned to them from time to time by the President or the Board of Directors or these Bylaws. The Executive Vice President may sign, with the Secretary or an Assistant Secretary, certificates for shares of the Corporation.

5.09. SENIOR VICE PRESIDENT. At the request of the President or the Executive Vice President, or in the incapacity of the President or the Executive Vice President, the Senior Vice President shall perform the duties of the President or the Executive Vice President, and, when so acting, shall have all the powers of, and be subject to all restrictions upon, the President. Any action taken by the Senior Vice President in the performance of the duties of the President or the Executive Vice President shall be conclusive evidence of the absence or inability of the President or the Executive Vice President to act at the time such action was taken. The Senior Vice President shall perform such other duties as may, from time to time, be assigned to him by the Board, the President, the Chairman of the Board, the Executive Vice Chairman, or these Bylaws. The Senior Vice President may also sign with the Secretary or an Assistant Secretary, certificates of the stock of the Corporation. If more than one Senior Vice President is elected, said Senior Vice Presidents shall perform such duties as may be assigned to them from time to time by the President or the Board of Directors or these Bylaws. The Senior Vice President may sign, with the Secretary or an Assistant Secretary, certificates for shares of the Corporation.

5.10. VICE PRESIDENT. The Vice Presidents shall perform such duties as may, from time to time, be assigned to him by the President, the Executive Vice President, a Senior Vice President or these Bylaws. If more than one Vice President is appointed by the

President, said Vice Presidents shall perform such duties as may be assigned to them from time to time by the President, the Executive Vice President, a Senior Vice President or these Bylaws. Such Vice Presidents shall serve at the will of the President and may be removed at any time without action of the Board of Directors. Such Vice Presidents shall not be considered Officers of the Corporation for regulatory purposes.

5.11. SECRETARY. The Secretary shall see that proper notices are sent of the meetings of the Shareholders, the Board and the Executive Committee, and shall see that all proper notices are given, as required by these Bylaws. The Secretary shall keep minutes of all meetings of the Shareholders, the Board of Directors and all Committees of the Board in one or more books provided for that purpose.

The Secretary shall have general charge of stock certificate books, transfer books, stock ledgers, and such other books and papers as the Board of Directors may direct for the Corporation, all of which shall, at all reasonable times, be open to the examination of any Director, upon application at the office of the Corporation during business hours.

The Secretary shall perform all duties and exercise all powers incident to the office of the Secretary and such other duties and powers as the Board, the President or the Vice President may from time to time assign or confer.

5.12. TREASURER. If required by the Board of Directors, the Treasurer shall give a bond for the faithful discharge of his duties in such sum and with such surety or sureties as the Board of Directors shall determine. The Treasurer shall keep complete and accurate records of account, showing accurately at all times the financial condition of the Corporation; shall be the legal custodian of all monies, notes, securities, and other valuables that may from time to time come into the possession of the Corporation; receive and give receipts for monies due and payable to the Corporation from any source whatsoever, and deposit all such monies in the name of the Corporation in such banks, trust companies, or other depositories as shall be selected in accordance with the provisions of Article VII of these Bylaws; shall furnish at meetings of the Board or whenever requested, a statement of the financial condition of the Corporation, and shall perform such other duties and exercise all powers incident to the office of the Treasurer and such other duties and powers as the Board, the President, the Chairman or the Vice Chairman of the Board, or these Bylaws may from time to time assign or confer.

5.13. ASSISTANT SECRETARIES AND ASSISTANT TREASURERS. The Assistant Treasurers shall respectively, if required by the Board of Directors, give bonds for the faithful discharge of their duties in such sums and with such sureties as the Board of Directors shall determine. The Assistant Secretaries as thereunto authorized by the Board of Directors may sign with the Chairman of the Board, the Vice Chairman, or the President or an Executive Vice President certificates for shares of the Corporation, the issue of which shall have been authorized by a resolution of the Board of Directors. Any Assistant Secretary or Assistant Treasurer appointed by the Board of Directors shall have power to perform, and shall

perform, all duties incumbent upon the Secretary or the Treasurer of the Corporation, respectively, subject to the general direction of such Officers, and shall perform such other duties as the Bylaws may require or the Chairman, the Vice Chairman, the President, or the Board of Directors may prescribe.

5.14. OTHER ASSISTANTS AND ACTING OFFICERS. The Board of Directors shall have the power to appoint any person to act as assistant to any Officer, or as agent for the Corporation in his stead, or to perform the duties of such Officer whenever for any reason it is impractical for such Officer to act personally, and such assistant or acting Officer or other agent so appointed by the Board of Directors shall have the power to perform all the duties of the office to which he is so appointed to be assistant, or as to which he is so appointed to act, except as such power may be otherwise defined or restricted by the Board of Directors.

5.15. SALARIES. The salaries or other compensation of the Officers shall be fixed from time to time by the Board of Directors. No Officer shall be prevented from receiving such salary or other compensation by reason of the fact that he is also a Director of the Corporation.

ARTICLE VI. NOTICE AND WAIVER OF NOTICE

6.01. NOTICE. This Article applies to any notice that is required under these Bylaws and that is made subject to this Article by express reference to this Article. Any notice required under these Bylaws shall be given in writing, except that oral notice may be given if oral notice is permitted by the Articles of Incorporation or the Bylaws and is not otherwise prohibited by the General Corporation Law of Delaware. Except as otherwise provided in the General Corporation Law of Delaware, the Articles of Incorporation or the Bylaws, notice may be communicated in person, by telephone, telegraph, teletype, facsimile or other form of wire or wireless communication, or by mail or private carrier, and, if these forms of personal notice are impracticable, notice may be communicated by a newspaper of general circulation in the area where published, or by a radio, television or other form of public broadcast communication. Written notice to a domestic corporation or a foreign corporation authorized to transact business in the State of Delaware may be addressed to its registered agent at its registered office or to the domestic corporation or foreign corporation at its principal office. Except as otherwise provided in the General Corporation Law of Delaware, written notice is effective at the earliest of the following: (a) when received; (b) five (5) days after its deposit in the U.S. Mail, if mailed postpaid and correctly addressed; (c) on the date shown on the return receipt, if sent by registered or certified mail, return receipt requested, and the receipt is signed by or on behalf of the addressee; or (d) on the effective date specified in the Articles of Incorporation or Bylaws. Notwithstanding the preceding sentence, written notice by the Corporation to its Shareholder is effective when mailed and may be addressed to the Shareholder's address shown in the Corporation's current record of Shareholders. Oral notice is effective when communicated.

6.02. WAIVER OF NOTICE. Whenever any notice whatever is required to be given under the provisions of these Bylaws or under the provisions of the Certificate of Incorporation or under the provisions of the General Corporation Law of Delaware, waiver thereof in writing, signed by the person or persons, entitled to such notice whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice. Attendance of any person at a meeting for which any notice whatever is required to be given under the provisions of these Bylaws, the Certificate of Incorporation, or the General Corporation Law of Delaware shall constitute a waiver of notice of such meeting, except when the person attends for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

ARTICLE VII. CONTRACTS, LOANS, CHECKS AND DEPOSITS; SPECIAL CORPORATE ACTS

7.01. CONTRACTS. The Board of Directors may authorize any Officer or Officers, or agent or agents, to enter into any contract or execute or deliver any instrument in the name of and on behalf of the Corporation, and such authorization may be general or confined to specific instances. In the absence of other designation, all deeds, mortgages and instruments of assignment or pledge made by the Corporation shall be executed in the name of the Corporation by the President, the Executive Vice President, the Senior Vice President, or one of the Vice Presidents and by the Secretary, an Assistant Secretary or an Assistant Secretary, when necessary or required, shall affix the corporate seal thereto. When an instrument is executed in accordance with this Section, no other party to such instrument or any third party shall be required to make any inquiry into the authority of the signing Officer or Officers.

7.02. LOANS. No indebtedness for borrowed money shall be contracted on behalf of the Corporation and no evidences of indebtedness shall be issued in its name unless authorized by or under the authority of a resolution of the Board of Directors. Such authorization may be general or confined to specific instances.

7.03. CHECKS, DRAFTS, ETC. All checks, drafts or other orders for payment of money, notes or other evidences of indebtedness issued in the name of the Corporation, shall be signed by such Officer or Officers, or agent or agents of the Corporation and in such manner as shall from time to time be determined by or under the authority of a resolution of the Board of Directors.

7.04 DEPOSITS. All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such banks, trust companies or other depositories as may be selected by or under the authority of a resolution of the Board of Directors.

7.05. POWER TO EXECUTE PROXIES. The Chairman of the Board, the Vice Chairman, the President, or any Executive Vice President may execute proxies on behalf of the Corporation with respect to the voting of any shares of stock owned by the Corporation.

ARTICLE VIII. CERTIFICATES FOR SHARES AND THEIR TRANSFER

8.01. CERTIFICATES FOR SHARES. The shares of the Corporation shall be represented by certificates, which shall be in such form, consistent with law, as shall be determined by the Board of Directors. All certificates for shares shall be consecutively numbered or otherwise identified. Such certificates shall be signed by the Chairman of the Board, the Vice Chairman, the President, an Executive Vice President, a Senior Vice President, or a Vice President and by the Secretary or an Assistant Secretary, or by such Officer or Officers as may be designated in a resolution of the Board of Directors, and, if these Bylaws call for the designation of a corporate seal, shall be sealed with the seal of the Corporation. If the Corporation is authorized to issue different classes of shares or different series within a class, the front or back of each certificate shall contain either: (a) a summary of the designations, relative rights, preferences and limitations applicable to each class, and the variations in rights, preferences and limitations determined for each series and the authority of the Board of Directors to determine variations in rights, preferences and limitations determined for each series and the authority of the Board of Directors to determine variations for future series, or (b) a conspicuous statement that the Corporation will furnish the Shareholder with the information described in (a) above on request, in writing and without charge. The name and address of the person to whom the shares represented thereby are issued, with the number of shares and date of issue, shall be entered on the stock transfer books of the Corporation. All certificates surrendered to the Corporation for exchange or transfer shall be canceled and no new certificate or certificates shall be issued in exchange for any existing certificates until the existing certificates shall have been surrendered and canceled, except as provided in section 8.06.

8.02. FACSIMILE SIGNATURES AND SEAL. The seal of the Corporation on any certificates of shares may be a facsimile. If a share certificate is countersigned (i) by a transfer agent other than the Corporation or its employee, or (ii) by a registrar other than the Corporation or its employee, any other signature may be a facsimile. In case any Officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such Officer, transfer agent, or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he were such Officer, transfer agent, or registrar at the date of issue. Each share certificate shall be signed either manually or in facsimile, by the Officer or Officers designated in section 8.01.

8.03. SIGNATURE BY FORMER OFFICERS. The validity of a share of certificate is not affected if a person who signed the certificate no longer holds office when the certificate is issued.

8.04. TRANSFERS OF SHARES. Transfers of shares of the Corporation shall be made only on the books of the Corporation by the holder of the record thereof or by his legal representative, who shall furnish proper evidence of authority to transfer, or by his attorney thereunto authorized by power of attorney duly executed and filed with the Secretary of the Corporation, and on surrender for cancellation of the certificate for such shares. The person in whose name shares stand on the books of the Corporation shall be deemed the owner thereof for all purposes as regards the Corporation.

8.05. RESTRICTION ON TRANSFER OF SHARES AND OTHER SECURITIES. The Articles of Incorporation, the Bylaws, an agreement among Shareholders and holders of other securities, or an agreement between Shareholders and holders of other securities and the Corporation, may impose a transfer restriction on shares and other securities of the Corporation for any reasonable purpose, except that a transfer restriction may not effect shares and other securities issued before the restriction is adopted unless the holders of the shares and other securities are parties to the transfer restriction agreement or vote in favor of the transfer restriction. A transfer restriction is valid and enforceable against the holder or transferee of the holder if the transfer restriction is authorized by this section and its existence is noted conspicuously on the front or back of the certificate. Unless so noted, a transfer restriction is not enforceable against a person who does not know of the transfer restriction. The transfer restrictions permitted under this section include, but are not limited to, transfer restrictions that do any of the following: (a) obligate the Shareholder or holder of other securities first to offer to the Corporation or other persons, whether separately, consecutively, or simultaneously, an opportunity to acquire the restricted shares or other securities; (b) obligate the Corporation or other persons, whether separately, consecutively or simultaneously, to acquire the restricted shares or other securities; or (c) prohibit the transfer of the restricted shares or other securities to designated persons or classes of persons, if the prohibition is not manifestly unreasonable. As used in this section, "any reasonable purpose" includes but is not limited to, any of the following purposes: (a) maintaining the Corporation's status when it is dependent on the number or identity of its Shareholders, or (b) preserving exemptions under federal or state securities law. As used in this section, "other securities" include securities that are convertible into or carry a right to subscribe for or acquire shares of the Corporation. As used in this section, the term "transfer restriction" means a restriction on the securities of the Corporation.

8.06. LOST, DESTROYED OR STOLEN CERTIFICATES. Where the owner claims that his certificate for shares has been lost, destroyed or wrongfully taken, a new certificate shall be issued in place thereof if the owner (a) so requests before the Corporation has notice that such shares have been acquired by a bona fide purchaser, (b) files with the Corporation a sufficient indemnity bond if required by the Board of Directors, and (c) satisfies such other reasonable requirements as the Board of Directors may prescribe.

8.07. ISSUANCE OF SHARES. Unless reserved to the Shareholders by the Articles of Incorporation, the Board of Directors shall have the powers granted to it in this section. The Board of Directors may authorize shares to be issued for consideration consisting of any tangible or intangible property or benefit to the Corporation, including cash, promissory notes, services performed, contracts for services to be performed or other securities of the Corporation. Before the Corporation issues shares, the Board of Directors shall determine that the consideration received or to be received for the shares to be issued is adequate. The Board of Directors' determination is conclusive insofar as the adequacy of consideration for the issuance of shares relates to whether the shares are validly issued, fully paid and nonassessable. When the Corporation receives the consideration for which the Board of Directors authorized the issuance of shares, the shares issued for that consideration are fully paid and nonassessable. The Corporation may place in escrow shares issued for a contract for future services or benefits or a promissory note, or make other arrangements to restrict the transfer of the shares, and may credit distributions in respect of the shares against their purchase price, until the services are performed, the benefits are received or the note is paid. If the services are not performed, the benefits are not received or the note is not paid, the Corporation may cancel, in whole or in part, the shares escrowed or restricted and the distributions credited. The Corporation may pay the expense of selling or underwriting its shares, and of organizing or reorganizing the Corporation, from the consideration received for shares.

ARTICLE IX. FISCAL YEAR

The fiscal year of the Corporation shall begin on the first (1st) day of January of each year and shall end on the thirty-first (31st) day of December of each year.

ARTICLE X. DISTRIBUTION TO SHAREHOLDERS

10.01. AUTHORITY. The Board of Directors may authorize and the Corporation may make distributions to its Shareholders, or purchase or acquire any of its shares provided (a) after the distribution, purchase, or acquisition, the Corporation will be able to pay its obligations as they become due in the usual course of its business, and (b) the distribution, purchase, or acquisition will not cause the Corporation's assets to be less than its total liabilities plus the amount necessary to satisfy, upon distribution, the preferential rights of Shareholders whose rights are superior to those receiving the distribution.

ARTICLE XI. OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS; LIABILITY AND INDEMNITY; TRANSACTIONS WITH CORPORATION

11.01. RELIANCE BY DIRECTORS OR OFFICERS. Unless the Director or Officer has knowledge that makes reliance unwarranted, a Director or Officer, in discharging his or her duties to the Corporation, may rely on information, opinions, reports or statements, any of which may be written or oral, formal or informal, including financial statements, valuation reports and other financial data, if prepared or presented by any of the following: (a) an Officer or employee of the Corporation whom the Director or Officer believes in good faith to be reliable and competent in the matters presented; (b) legal counsel, public accountants or other persons as to matters that the Director or Officer believes in good faith are within their person's professional or expert competence; or (c) in the case of reliance by Director, a committee of the Board of Directors of which the Director is not a member if the Director believes in good faith that the committee merits confidence.

11.02. CONSIDERATION OF INTERESTS IN ADDITION TO SHAREHOLDERS' INTERESTS. In discharging his or her duties to the Corporation and in determining what he or she believes to be in the best interests of the Corporation, a Director or Officer may in addition to considering the effects of any action on Shareholders, consider the following: (a) the effects of the action on employees, suppliers and customers of the Corporation; (b) the effects of the action on communities in which the Corporation operates; and (c) any other factors that the Director or Officer considers pertinent.

11.03. LIMITED LIABILITY OF DIRECTORS. A Director is not liable to the Corporation, its Shareholders, or any person asserting rights on behalf of the Corporation or its Shareholders, for damages, settlements, fees, fines, penalties or other monetary liabilities arising from a breach of, or failure to perform, any duty resulting solely from his or her status as a Director, unless the person asserting liability proves that the breach or failure to perform constitutes any of the following: (a) a willful failure to deal fairly with the Corporation or its Shareholders in connection with a matter in which the Director has a material conflict of interest; (b) a violation of criminal law, unless the Director had reasonable cause to believe that his or her conduct was lawful or no reasonable cause to believe that his or her conduct was unlawful; (c) a transaction from which the Director derived an improper personal profit; or (d) willful misconduct. Notwithstanding the foregoing, the Corporation may limit the immunity provided under this section by its Articles of Incorporation; such a limitation applies if the cause of action against a Director accrues while the limitation is in effect.

11.04. DIRECTOR CONFLICT OF INTEREST. A conflict of interest transaction is not voidable by the Corporation solely because of a Directors' interest in the transaction if any of the following is true:

(a) The material facts of the transaction and the Director's interest were disclosed or known to the Board of Directors or a committee of the Board of Directors and the

Board or Directors or committee authorized, approved or specifically ratified the transaction. For purposes of the subsection (a), a conflict of interest transaction is authorized, approved or specifically ratified if it receives the affirmative vote of a majority of the Directors on the Board of Directors or on the committee acting on the transaction, who have no direct or indirect interest in the transaction. If a majority of the Directors who have no direct or indirect interest in the transaction vote to authorize, approve or ratify the transaction, a quorum is present for the purpose of taking action under this section. The presence of, or vote cast by, a Director with a direct or indirect interest in the transaction does not affect the validity of any action taken under this subsection (a) if the transaction is otherwise authorized, approved or ratified as provided in this section;

(b) The material facts of the transaction and the Director's interest were disclosed or known to the Shareholders entitled to vote and they authorized, approved, or specifically ratified the transaction. For the purposes of this subsection (b), a conflict of interest transaction is authorized, approved or specifically ratified if it receives the vote of a majority of the shares entitled to be counted under this subsection (b). Shares owned by or voted under the control of a Director who has a direct or indirect interest in the transaction, and shares owned by or voted under the control of an entity, other than the Corporation, which is a party to the transaction and in which the Director is a general partner, may not be counted in a vote of Shareholders to determine whether to authorize, approve or ratify a conflict of interest transaction under this subsection (b). The vote of those shares shall be counted in determining whether the transaction is approved under sections of the General Corporation Law of Delaware. A majority of the shares, whether or not present, that are entitled to be counted in a vote on the transaction under this subsection (b) constitutes a quorum for the purpose of taking action under this section; or

(c) The transaction was fair to the Corporation.

As used in this section, "conflict of interest transaction' means a transaction with the Corporation in which a Director of the Corporation has a direct or indirect interest. For purposes of this section, the circumstances in which a Director of the Corporation has an indirect interest in a transaction include but are not limited to a transaction under any of the following circumstances: (i)'another entity in which the Director has a material financial interest in which the Director is a general partner is a party to the transaction, or (ii) another entity of which the Director is a Director, Officer, or trustee, is a party to the transaction and the transaction is or, because of its significance to the Corporation, should be considered by the Board of Directors to the Corporation.

11.05. LOANS TO DIRECTORS. The Corporation may not lend money to guaranty the obligation of Director of the Corporation unless any of the following occurs: (a) the particular loan or guaranty is approved by a majority of the votes represented by the outstanding voting shares of all classes, voting as a single voting group, except the votes of shares owned by or voted under the control of the benefited Director; or (b) the Corporation's

Board of Directors determines that the loan or guaranty benefits the Corporation and either approves the specific loan or guaranty or a general plan authorizing loans and guaranties. The fact that a loan guaranty is made in violation of this section does not affect the borrower's liability on the loan.

11.06. INDEMNIFICATION AND ALLOWANCE OF EXPENSES OF EMPLOYEES AND AGENTS. The Corporation shall, to the fullest extent authorized by the General Corporation Law of Delaware, indemnify an employee who is not a Director or Officer of the Corporation, to otherwise in defense of a proceeding, for all reasonable expenses incurred in the proceeding if the employee was a party because he or she was an employee of the Corporation. In addition to the indemnification required by the preceding sentence, the Corporation may indemnify and allow reasonable expenses of an employee or agent who is not a Director or Officer of the Corporation to the extent provided by the Articles of Incorporation or Bylaws, by general or specific action of the Board of Directors or by contract.

ARTICLE XII. SEAL

12.01. SEAL. The Board of Directors has provided not to purchase and/or establish a corporate seal and where appropriate on any document for filing a specific notation shall be inserted indicating that there is "No Seal" for the Corporation.

ARTICLE XIII. INSPECTION OF RECORDS BY SHAREHOLDERS

13.01. INSPECTION OF BYLAWS. A Shareholder of the Corporation may inspect and copy the Corporation's Bylaws, as then in effect, during regular business hours at the Corporation's principle office. To inspect the Bylaws under this section, the Shareholder shall give the Corporation written notice, that complies with Article VI, of his or her demand, at least five (5) business days before the date on which he or she wishes to inspect and copy the Bylaws.

13.02. INSPECTION OF OTHER RECORDS. Any Shareholder who holds at least five percent (5%) of the Corporation's outstanding shares or who has been a Shareholder for at least six (6) months or shall have the right to inspect and copy, during regular business hours at a reasonable location specified by the Corporation, any of the following records: (a) excerpts from any minutes or records that the Corporation is required to keep as permanent records; (b) the Corporation's accounting records; or (c) the record of Shareholders or, at the Corporation's discretion, a list of the Corporation's Shareholders that was compiled no earlier than the date of the Shareholder's demand. The Shareholder's demand for inspection must be made in good faith and for a proper purpose and by delivery of written notice, given to the Corporation in accordance with the provisions of Article VI at least five (5) business days

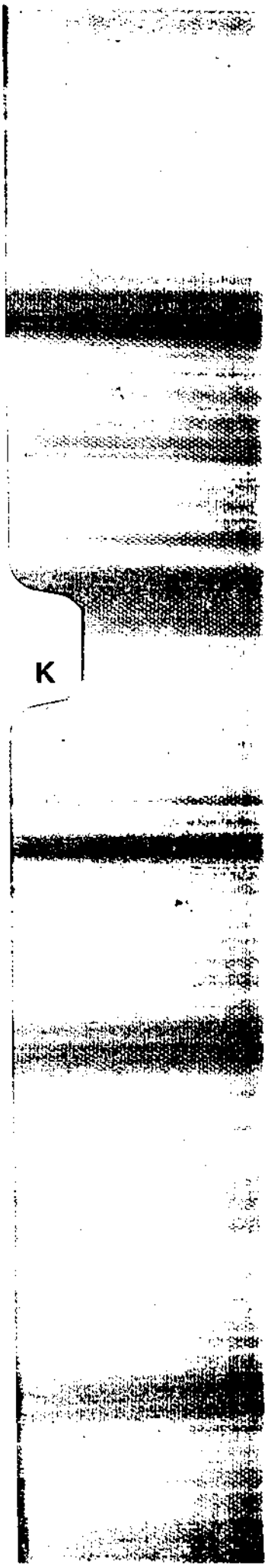
before the date on which he or she wishes to inspect and copy the records, stating with reasonable particularity the purpose of the inspection and the records directly connected with that purpose, which he or she desires to inspect.

ARTICLE XIV. AMENDMENTS

14.01. BY SHAREHOLDERS. These Bylaws may be amended or repealed and new Bylaws may be adopted by the Corporation's Shareholders by affirmative vote of not less than a majority of the shares present or represented at any annual or special meeting of the Shareholders at which a quorum is in attendance.

14.02. BY DIRECTORS. These Bylaws may also be amended or repealed and new Bylaws may be adopted by the Board of Directors by affirmative vote of a majority of the number of Directors present at any meeting at which a quorum is in attendance, except to the extent that any of the following applies: (a) the Articles of Incorporation or any provision of the General Corporation Law of Delaware reserve the power exclusively to the Shareholders, or (b) the Shareholders in adopting, amending or repealing a particular Bylaw provide within the Bylaws that the Board of Directors may not amend, repeal, or readopt that By-law.

14.03. IMPLIED AMENDMENTS. Any action taken or authorized by the Shareholders or by the Board of Directors, which would be inconsistent with the Bylaws then in effect but is taken or authorized by affirmative vote of not less than the number of shares or the number of Directors required to amend the Bylaws so that the Bylaws would be consistent with such action, shall be given the same effect as though the Bylaws had been temporarily amended or suspended so far, but only so far, as is necessary to permit the specific action so taken or authorized.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AMENDED AND RESTATED

ARTICLES OF INCORPORATION

OF

COBALT CORPORATION

ARTICLE I
NAME

The name of the corporation is COBALT CORPORATION (the "CORPORATION").

ARTICLE II
AUTHORIZED CAPITAL STOCK

SECTION 1. The aggregate number of authorized shares of common stock of the Corporation shall be Seventy-Five Million (75,000,000) shares, designated as "Common Stock" and having no par value per share.

SECTION 2. The aggregate number of authorized shares of preferred stock of the Corporation shall be One Million (1,000,000) shares, designated as "Preferred Stock" and having no par value per share. Authority is hereby vested in the Board of Directors from time to time to issue the Preferred Stock in one or more series of any number of shares and, in connection with the creation of each such series, to fix, by resolution providing for the issue of shares thereof: (i) the voting rights, if any; (ii) the designations, preferences, limitations and relative rights of such series in respect to the rate of dividend, the price, the terms and conditions of redemption; (iii) the amounts payable upon such series in the event of voluntary or involuntary liquidation; (iv) sinking fund provisions for the redemption or purchase of such series of shares; and, (v) if the shares of any series are issued with the privilege of conversion, the terms and conditions on which such series of shares may be converted. In addition to the foregoing, to the full extent now or hereafter permitted by the WBCL, in connection with each issue thereof, the Board of Directors may at its discretion assign to any series of the Preferred Stock such other terms, conditions, restrictions, limitations, rights and privileges as it may deem appropriate. The aggregate number of preferred shares issued and not canceled of any and all preferred series shall not exceed the total number of shares of Preferred Stock hereinabove authorized. Each series of Preferred Stock shall be distinctively designated by letter or descriptive words or both.

ARTICLE III
BOARD OF DIRECTORS
AND SHAREHOLDER MEETINGS

SECTION 1. Except as may be otherwise specifically provided by the WBCL, all corporate powers shall be exercised by or under the authority of, and the business and affairs of the corporation managed under the direction of the Board of Directors.

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SECTION 2. A majority of the whole Board of Directors of the Corporation shall constitute a quorum for the transaction of business and, except as otherwise provided in these Articles of Incorporation or the Bylaws of the Corporation, the vote of a majority of the directors present at a meeting at which a quorum is then present shall be the act of the Board of Directors of the Corporation. The term "whole Board of Directors of the Corporation," as used in these Articles of Incorporation, means the total number of directors which the Corporation would have as of the date of such determination if the Board of Directors of the Corporation had no vacancies.

SECTION 3. The Board of Directors of the Corporation shall consist of no less than 3 nor more than 9 directors, the exact number of directors to be determined in accordance with the Bylaws of the Corporation. The directors shall be divided into three classes, designated Class I, Class II and Class III. Each class shall consist, as nearly as may be possible, of one-third of the total number of directors constituting the whole Board of Directors of the Corporation. Thomas R. Hefty, Janet D. Steiger and Kenneth M. Viste, Jr. are hereby named as the initial Class I directors to hold office for a term expiring at the annual meeting of shareholders in 2001 and until their respective successors are duly elected and qualified or until their earlier resignation or removal; James L. Forbes, D. Keith Ness and William C. Rupp are hereby named as the initial Class II directors to hold office for a term expiring at the annual meeting of shareholders in 2002 and until their respective successors are duly elected and qualified or until their earlier resignation or removal; and Richard A. Abdoo, Barry K. Allen and Michael S. Joyce are hereby named as the initial Class III directors to hold office for a term expiring at the annual meeting of shareholders in 2003 and until their respective successors are duly elected and qualified or until their earlier resignation or removal. At each annual meeting of shareholders beginning in 2001, successors to the class of directors whose term expires at that annual meeting shall be elected for a three-year term. If the number of directors is changed, any increase or decrease shall be apportioned among the classes so as to maintain the number of directors in each class as nearly equal as possible, but in no case shall a decrease in the number of directors shorten the term of any incumbent director. A director shall hold office until the annual meeting for the year in which his or her term shall expire and until his or her successor shall be elected and shall qualify, subject, however, to prior death, resignation, retirement, disqualification or removal from office.

SECTION 4.

A. QUALIFICATIONS: No person shall be elected or appointed to, or permitted to serve on, the Board of Directors of the Corporation unless either (i) such person would qualify as an Independent Director (as defined in Paragraph B.1 of this Section 4 of Article IV), or (ii) immediately after giving effect to such election or appointment, at least eighty percent (80%) of the members of the whole Board of Directors of the Corporation would qualify as Independent Directors ("INDEPENDENT DIRECTOR MINIMUM"). The Independent Director Minimum shall decrease by one-half percent (0.5%) in proportion to each one percent (1%) reduction in the issued and outstanding Common Stock Beneficially Owned by the Foundation below eighty percent (80%), PROVIDED, HOWEVER, that the Independent Director Minimum shall always be greater than fifty percent (50%).

B. DEFINITIONS.

1. "INDEPENDENT DIRECTOR" means (i) any person who was a member of the Board of Directors of Blue Cross & Blue Shield United of Wisconsin on the effective date of the filing of these Amended and Restated Articles of Incorporation, or (ii) any person who, during the entirety of any term of service on the Board of Directors of the Corporation, satisfies each of the following conditions: (a) he or she shall have affirmed in writing that, at the time of his or her election or appointment for such term, he or she was Independent (as defined in Paragraph B. 2 of this Section 4 of Article III), and (b) he or she shall have agreed to serve only in the capacity of an Independent Director for such term.

2. "INDEPENDENT" means a person who, at any given time, (i) shall not be a Major Participant (as defined in Paragraph B. 4 of this Section 4 of Article III), (ii) shall not have been nominated to the Board of Directors of the Corporation at the initiative of a Major Participant, (iii) shall not have announced a commitment to any proposal made by a Major Participant that has not been approved by an Independent Board Majority (as defined in Paragraph B. 3 of this Section 4 of Article III), and (iv) shall not have been determined by an Independent Board Majority to have been subject to any relationship, arrangement or circumstance (including any relationship with a Major Participant) which, in the judgment of such Independent Board Majority, is reasonably possible or likely to interfere to an extent deemed unacceptable by such Independent Board Majority with his or her exercise of independent judgment as a director.

3. "INDEPENDENT BOARD MAJORITY" means a group of directors comprised of (i) a majority of all directors who qualify as Independent Directors at the time of such determination, and (ii) a majority of all directors at the time of such determination.

4. "MAJOR PARTICIPANT" means (i) the Foundation (as defined in Section 1 of Article V hereof) or a Person (as defined in Section 1 of Article V hereof) who shall, in the judgment of an Independent Board Majority, succeed to the position held by the Foundation, PROVIDED, that no Person shall lose his, her or its status as an Independent Director solely because such Person is a member of the Board of Directors of the Foundation (as defined in Section 1 of Article V hereof), (ii) a Person who, except as provided in the next sentence, is an Excess Owner (as defined in Section 1 of Article V hereof), (iii) a Person that has filed proxy materials with the SEC (as defined in Section 1 of Article V hereof) supporting a candidate for election to the Board of Directors of the Corporation in opposition to candidates approved by an Independent Board Majority, (iv) a Person that has made a proposal, made a filing with the SEC or taken other actions in which such Person indicates that such Person may seek to become a Major Participant or which in the judgment of an Independent Board Majority indicates that it is reasonably possible or likely that such Person will seek to become a Major Participant, or (v) a Person that is an affiliate or associate (as defined in Section 1 of Article V hereof) of a Major Participant. Notwithstanding the foregoing, in the event that an Independent Board Majority shall have approved an acquisition of outstanding Capital Stock (as defined in Section 1 of Article V hereof) of the Corporation, prior to the time such acquisition shall occur, which would otherwise render a Person a Major Participant and such Person (a) shall not have made any subsequent acquisition of outstanding Capital Stock of the

Corporation not approved by an Independent Board Majority and (b) shall not have subsequently taken any of the actions specified in the preceding sentence without the prior approval of an Independent Board Majority, then such Person shall not be deemed a Major Participant; PROVIDED that the Foundation shall always be deemed a Major Participant notwithstanding any approval of any acquisition of Capital Stock of the Corporation or any other development or fact of any kind. In the event there shall be any question as to whether a particular Person is a Major Participant, the determination of an Independent Board Majority shall be binding upon all parties concerned.

SECTION 5. Each election of directors shall be by plurality vote except that an individual shall not be elected to the Board of Directors of the Corporation if such election is prohibited by Section 4 of this Article III or the individual does not meet the qualifications which may be required by the Bylaws of the Corporation as constituted at the time of such election.

SECTION 6. Any newly created directorships resulting from any increase in the number of directors or from the removal, resignation or death of a director may be filled only by the affirmative vote of an Independent Board Majority and any directors so chosen shall hold office until the next election of the class for which such directors shall have been chosen and until their successors shall be elected and qualified or until their respective earlier resignation, removal or death.

SECTION 7. Shareholders of the Corporation shall have no right to remove any director or the whole Board of Directors of the Corporation unless such removal is for Cause (as defined below in this Section 7 of Article III) and unless the holders of at least seventy-five percent (75%) of the issued and outstanding shares of Common Stock then entitled to vote at an election of directors shall have voted in favor of such removal for Cause. "Cause," as used in this Section 7, means gross negligence or willful misconduct in the performance of the director's duty to the Corporation in a matter of substantial importance to the Corporation.

SECTION 8. Whenever the holders of any series of Preferred Stock issued by the Corporation or of any other securities of the Corporation shall have the right, voting separately by series, to elect directors at an annual or special meeting of shareholders, the election, term of office, filling of vacancies and other features of such directorships shall be governed by the terms of these Articles of Incorporation then applicable thereto.

SECTION 9. Meetings of the shareholders of the Corporation for any purpose or purposes may be held within or without the State of Wisconsin, as the Bylaws of the Corporation may provide.

SECTION 10. Subject to the rights, if any, of the holders of Preferred Stock or any series thereof, special meetings of the shareholders of the Corporation for any purpose or purposes may be called at any time only by the Chairman of the Board of the Corporation, the Chief Executive Officer of the Corporation, the President of the Corporation, an Independent Board Majority or any other party specifically mandated by the WBCL. Special meetings of

the shareholders of the Corporation may not be called by any other person or persons or in any other manner.

SECTION 11. The restrictions contained in Wisconsin Statutes Section

180.1150 shall not apply to shares of Capital Stock Beneficially Owned by the Foundation, by any entity 100% of whose equity interests are owned beneficially by the Foundation, or by any Trustee or Trustees under the Voting Trust and Divestiture Agreement.

ARTICLE IV
LIABILITY FOR BREACH OF FIDUCIARY DUTY

A director of the Corporation shall not be personally liable to the Corporation, its shareholders, or any person asserting rights on behalf of the corporation or its shareholders, for damages, settlements, fees, fines, penalties or other monetary liabilities arising from a breach of, or failure to perform, any duty resulting solely from his or her status as a director, unless the person asserting liability proves that the breach or failure to perform constitutes any of the following: (i) a willful failure to deal fairly with the corporation or its shareholders in connection with a matter in which the director has a material conflict of interest; (ii) a violation of criminal law, unless the director had reasonable cause to believe that his or her conduct was lawful or no reasonable cause to believe that his or her conduct was unlawful; (iii) a transaction from which the director derived an improper personal profit; (iv) willful misconduct; or (v) liability arising under Section 180.0833 of the WBCL. In no event shall any director be deemed to breach any fiduciary duty or other obligation owed to any shareholders of the Corporation or any other person by reason of (i) his or her failure to vote for (or by reason of such director's vote against) any proposal or course of action that in such director's judgment would breach any requirement imposed by the BlueCross BlueShield Association (or its then successor) (the "BCBSA") or could lead to termination of any license granted by the BCBSA to the Corporation or any subsidiary or affiliate of the Corporation, or (ii) his or her decision to vote in favor of any proposal or course of action that in such director's judgment is necessary to prevent a breach of any requirement imposed by the BCBSA or could prevent termination of any license granted by the BCBSA to the Corporation or any subsidiary or affiliate of the Corporation. If the WBCL is hereafter amended to authorize, with the approval of a corporation's shareholders, further reductions in the liability of a corporation's directors for breach of fiduciary duty, then a director of the Corporation shall not be liable for any such breach to the fullest extent permitted by the WBCL as so amended. Any repeal or modification of the foregoing provisions of this Article IV by the shareholders of the Corporation shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification.

ARTICLE V
RESTRICTION ON TRANSFER

SECTION 1. The following definitions shall apply with respect to this Article V:

(a) "AFFILIATE" and "ASSOCIATE" have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Exchange Act.

(b) a Person shall be deemed to "BENEFICIALLY OWN," be the "BENEFICIAL OWNER" of or have "BENEFICIAL OWNERSHIP" of any Capital Stock:

(1) in which such Person shall then have a direct or indirect beneficial ownership interest;

(2) in which such Person shall have the right to acquire any direct or indirect beneficial ownership interest pursuant to any option or other agreement (either immediately or after the passage of time or the occurrence of any contingency);

(3) which such Person shall have the right to vote;

(4) in which such Person shall hold any other interest which woul d count in determining whether such Person would be required to file a Schedule 13D or Schedule 13G under Regulation 13D-G under the Exchange Act; or

(5) which shall be Beneficially Owned (under the concepts provided in the preceding clauses) by any affiliate or associate of the particular Person or by any other Person with whom the particular Person or any such affiliate or associate has any agreement, arrangement or understanding (other than customary agreements with and between underwriters and selling group members with respect to a bona fide public offering of securities and other than pursuant to the Registration Rights Agreement);

PROVIDED, HOWEVER, that:

(6) a Person shall not be deemed to Beneficially Own, be the Beneficial Owner of, or have Beneficial Ownership of Capital Stock by reason of possessing the right to vote if (i) such right arises solely from a revocable proxy or consent given to such Person in response to a public proxy or consent solicitation made pursuant to, and in accordance with, the applicable rules and regulations promulgated under the Exchange Act, and (ii) such Person is not the Excess Owner of any Excess Shares, is not named as holding a beneficial ownership interest in any Capital Stock in any filing on Schedule 13D or Schedule 13G, and is not an affiliate or associate of any such Excess Owner or named Person;

(7) a member of a national securities exchange or a registered depositary shall not be deemed to Beneficially Own, be the Beneficial Owner of or have Beneficial Ownership of Capital Stock held directly or indirectly by it on behalf of another Person (and not for its own account) solely because such member or depositary is the record holder of such Capital Stock, and (in the case of such member), pursuant to the rules of such exchange, such member may direct the vote of such Capital Stock without instruction on matters which are uncontested and do not affect substantially the rights or privileges of the holders of the Capital Stock to be voted, but is otherwise precluded by the rules of such exchange from voting such Capital Stock without instruction on either contested matters or matters that may affect substantially the rights or the privileges of the holders of such Capital Stock to be voted;

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(8) a Person who in the ordinary course of business is a pledgee of Capital Stock under a written pledge agreement shall not be deemed to Beneficially Own, be the Beneficial Owner of or have Beneficial Ownership of such pledged Capital Stock solely by reason of such pledge until the pledgee has taken all formal steps which are necessary to declare a default or has otherwise acquired the power to vote or to direct the vote of such pledged Capital Stock, PROVIDED THAT:

(A) the pledge agreement is bona fide and was not entered into with the purpose nor with the effect of changing or influencing the control of the Corporation, nor in connection with any transaction having such purpose or effect, including any transaction subject to Rule 13d-3(b) promulgated under the Exchange Act; and

(B) the pledge agreement does not grant to the pledgee the right to vote or to direct the vote of the pledged securities prior to the time the pledgee has taken all formal steps which are necessary to declare a default;

(9) a Person engaged in business as an underwriter or a placement agent for securities who enters into an agreement to acquire or acquires Capital Stock solely by reason of its participation in good faith and in the ordinary course of its business in the capacity of underwriter or placement agent in any underwriting or agent representation registered under the Securities Act, as a bona fide private placement, a resale under Rule 144A promulgated under the Securities Act, or in any foreign or other offering exempt from the registration requirements under the Securities Act shall not be deemed to Beneficially Own, be the Beneficial Owner of or have Beneficial Ownership of such securities until the expiration of forty (40) days after the date of such acquisition so long as (i) such Person does not vote such Capital Stock during such period, and (ii) such participation is not with the purpose or with the effect of changing or influencing control of the Corporation, nor in connection with or facilitating any transaction having such purpose or effect, including any transaction subject to Rule 13d-3(b) promulgated under the Exchange Act;

(10) if the Corporation shall sell shares in a transaction not involving any public offering, then each purchaser in such offering shall be deemed to obtain Beneficial Ownership in such offering of the shares purchased by such purchaser, but no particular purchaser shall be deemed to Beneficially Own or have acquired Beneficial Ownership or be the Beneficial Owner in such offering of shares purchased by any other purchaser solely by reason of the fact that all such purchasers are parties to customary agreements relating to the purchase of equity securities directly from the Corporation in a transaction not involving a public offering, PROVIDED THAT:

(A) all the purchasers are persons specified in Rule 13d-1(b)(1)(ii) promulgated under the Exchange Act;

(B) the purchase is in the ordinary course of each purchaser's business and not with the purpose nor with the effect of changing or influencing control of the Corporation, nor in connection with or as a participant in any transaction having such purpose

or effect, including any transaction subject to Rule 13d-3(b) promulgated under the Exchange Act;

(C) there is no agreement among or between any purchasers to act together with respect to the Corporation or its securities except for the purpose of facilitating the specific purchase involved; and

(D) the only actions among or between any purchasers with respect to the Corporation or its securities subsequent to the closing date of the nonpublic offering are those which are necessary to conclude ministerial matters directly related to the completion of the offer or sale of the securities sold in such offering;

(11) the Share Escrow Agent shall not be deemed to be the Beneficial Owner of any Excess Shares held by such Share Escrow Agent pursuant to an Excess Share Escrow Agreement, nor shall any such Excess Shares be aggregated with any other shares of Capital Stock held by affiliates or associates of such Share Escrow Agent; and

(12) a Person shall not be deemed to Beneficially Own, be the Beneficial Owner of, or have Beneficial Ownership of Capital Stock by reason of the fact that such Person shall have entered into an agreement with the Corporation pursuant to which such Person, or its associates or affiliates, shall, upon consummation of the transaction described in such agreement, acquire, directly or indirectly, all of the Capital Stock of the Corporation (by means of a merger, consolidation, stock purchase or otherwise), PROVIDED THAT:

(A) such agreement shall have been approved by an Independent Board Majority prior to the execution thereof by the Corporation;

(B) neither such Person nor its associates or affiliates shall have been the Excess Owner of any Excess Shares immediately prior to the execution of such agreement;

(C) the consummation of the transaction described in such agreement shall be subject to the approval of the holders of Capital Stock of the Corporation entitled to vote thereon under the WBCL or pursuant to other applicable law or the rules of the New York Stock Exchange, Inc. or any other national securities exchange or automated quotation system on which any of the Capital Stock shall then be listed or quoted; and

(D) neither such Person nor its associates or affiliates shall have made any acquisition of Capital Stock after the execution of such agreement other than pursuant to the terms of such agreement.

Anything herein to the contrary notwithstanding, a Person shall continue to be deemed to Beneficially Own, be the Beneficial Owner of, and have Beneficial Ownership of, such Person's Excess Shares which shall have been conveyed, or shall be deemed to have been conveyed, to the Share Escrow Agent in accordance with this Article V until such time as such Excess Shares shall have been sold by the Share Escrow Agent as provided in this Article V.

(c) "BCBSA" has the meaning set forth in Article IV hereof.

(d) "CAPITAL STOCK" means shares (or any basic unit) of any class or series of any equity security, voting or non-voting, common or preferred, which the Corporation may at any time issue or be authorized to issue.

(e) "COMMON STOCK" has the meaning set forth in Section 1 of Article II hereof.

(f) "EXCESS OWNER" means a Person who Beneficially Owns Excess Shares.

(g) "EXCESS SHARES" means (i) with respect to any Institutional Investor, all the shares of Capital Stock Beneficially Owned by such Institutional Investor in excess of the Institutional Investor Ownership Limit, (ii) with respect to any Noninstitutional Investor, all the shares of Capital Stock Beneficially Owned by such Noninstitutional Investor in excess

of the Noninstitutional Investor Ownership Limit, and (iii) with respect to any Person, all the shares of Capital Stock Beneficially Owned by such Person in excess of the General Ownership Limit; PROVIDED, HOWEVER, that in the event the Excess Shares with respect to such Person results from the Beneficial Ownership of Capital Stock of such Person being aggregated with the Beneficial Ownership of Capital Stock of any other Person, then the number of Excess Shares with respect to such Person shall be allocated PRO RATA in proportion to each Person's total Beneficial Ownership (as calculated without giving effect to this Article V). All Excess Shares shall be deemed to be issued and outstanding shares of Capital Stock even when subject to or held pursuant to this Article V.

(h) "EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended or supplemented and any other federal law which the BCBSA shall reasonably judge to have replaced or supplemented the coverage of the Exchange Act.

(i) "FOUNDATION" means Wisconsin United for Health Foundation, Inc., a nonstock corporation organized under Chapter 181 of the Wisconsin Statutes.

(j) "GENERAL OWNERSHIP LIMIT" means any combination of shares of Capital Stock in any series or class (including Common Stock) that represents 20% of the ownership interest in the Corporation at the time of determination. Unless an Independent Board Majority otherwise determines pursuant to the authority granted in Section 15 of this Article V, the manner in which shares in different classes or series of Capital Stock shall be counted to determine the ownership interest represented by any particular combination of those shares of Capital Stock pursuant to clause (ii) above shall be the same manner prescribed by the BCBSA under the License Agreements. So long as Common Stock (carrying identical voting rights per share) shall be the only class of Capital Stock issued by the Corporation, the General Ownership Limit shall be irrelevant for purposes of this Article V because the Institutional Investor Ownership Limit shall exclusively determine whether any shares of Common Stock owned by any Institutional Investor constitute Excess Shares and the Noninstitutional Investor Ownership Limit shall exclusively determine whether any shares of Common Stock owned by any Noninstitutional Investor constitute Excess Shares. If, however, the Corporation were to issue a series of Preferred Stock or other class of Capital Stock other than Common Stock, then (i) shares Beneficially Owned by an Institutional Investor in excess of either the Institutional Investor Ownership Limit or the General Ownership Limit would constitute

Excess Shares, and (ii) shares Beneficially Owned by a Noninstitutional Investor in excess of either the Noninstitutional Investor Ownership Limit or the General Ownership Limit would constitute Excess Shares.

(k) "INSTITUTIONAL INVESTOR" means any Person that is an entity or group identified in Rule 13d-1(b)(1)(ii) under the Exchange Act as constituted on June 1, 1997, PROVIDED THAT every filing made by such Person with the SEC under Regulation 13D-G (or any successor Regulation) under the Exchange Act with respect to such Person's Beneficial Ownership of Capital Stock by such Person shall have contained a certification identical to the one required by Item 10 of Schedule 13G constituted on June 1, 1997, or such other affirmation as shall be approved by the BCBSA and the Board of Directors.

(l) "INSTITUTIONAL INVESTOR OWNERSHIP LIMIT" means that number of shares of Capital Stock one share lower than the number of shares of Capital Stock which would represent 10% of the Voting Power of all shares of Capital Stock issued

and outstanding at the time of determination.

(m) "LICENSE AGREEMENTS" means the license agreements as constituted from time to time between the Corporation or any of its subsidiaries or affiliates and the BCBSA, including any and all addenda thereto, with respect to, among other things, the "Blue Cross" and "Blue Shield" names and marks.

(n) "NONINSTITUTIONAL INVESTOR" means any Person that is not an Institutional Investor.

(o) "NONINSTITUTIONAL INVESTOR OWNERSHIP LIMIT" means that number of shares of Capital Stock one share lower than the number of shares of Capital Stock which would represent 5% of the Voting Power of all shares of Capital Stock issued and outstanding at the time of determination.

(p) "ORIGINAL FOUNDATION SHARES" has the meaning set forth in Section 14 of this Article V.

(q) "OWNERSHIP LIMIT" means each of the General Ownership Limit, the Institutional Investor Ownership Limit and the Noninstitutional Investor Ownership Limit.

(r) "PERMITTED TRANSFEREE" means a Person whose acquisition of Capital Stock will not violate any Ownership Limit applicable to such Person.

(s) "PERSON" means any individual, firm, partnership, corporation, limited liability company, trust, association, joint venture or other entity, and shall include any successor (by merger or otherwise) or of any such entity.

(t) "REGISTRATION RIGHTS AGREEMENT" means that certain Registration Rights Agreement, between the Corporation, the Foundation, and Wisconsin BC Holdings LLC, a Wisconsin limited liability company, dated as of the effective date of the filing of these Amended and Restated Articles of Incorporation.

(u) "SCHEDULE 13D" means a report on Schedule 13D under Regulation 13D-G under the Exchange Act and any report which may be required in the future under any requirements which the BCBSA shall reasonably judge to have any of the purposes served by Schedule 13D.

(v) "SCHEDULE 13G" means a report on Schedule 13G under Regulation 13D-G under the Exchange Act and any report which may be required in the future under any requirements which the BCBSA shall reasonably judge to have any of the purposes served by Schedule 13G.

(w) "SEC" means the United States Securities and Exchange Commission and any successor federal agency having similar powers.

(x) "SECURITIES ACT" means the Securities Act of 1933, as amended or supplemented, and any other federal law which the BCBSA shall reasonably judge to have replaced or supplemented the coverage of the Securities Act.

(y) "SHARE ESCROW AGENT" means the Person appointed by the Corporation to act as escrow agent with respect to the Excess Shares.

(z) "TRANSFER" means any of the following which would affect the Beneficial Ownership of Capital Stock: (a) any direct or indirect sale, transfer, gift,

hypothecation, pledge, assignment, devise or other disposition of Capital Stock (including (i) the granting of any option or entering into any agreement for the sale, transfer or other disposition of Capital Stock, or (ii) the sale, transfer, assignment or other disposition of any securities or rights convertible into or exchangeable for Capital Stock), whether voluntary or involuntary, whether of record, constructively or beneficially and whether by operation of law or otherwise, and (b) any other transaction or event, including without limitation a merger, consolidation, or acquisition of any Person, the expiration of a voting trust which is not renewed, or the aggregation of the Capital Stock Beneficially Owned by one Person with the Capital Stock Beneficially Owned by any other Person.

(aa) "VOTING POWER" means the voting power attributable to the shares of Capital Stock issued and outstanding at the time of determination and shall be equal to the number of all votes which could be cast in any election of any director which could be accounted for by all shares of Capital Stock issued and outstanding at the time of determination. If, in connection with an election for any particular position on the Board of Directors of the Corporation, shares in different classes or series are entitled to be voted together for purposes of such election, then in determining the number of "all votes which could be cast" in the election for that particular position for purposes of the preceding sentence, the number shall be equal to the number of votes which could be cast in the election for that particular position if all shares entitled to be voted in such election (regardless of series or class) were in fact voted in such election. For any particular Person, the Voting Power of such Person shall be equal to the quotient, expressed as a percentage, the numerator of which shall be the number of votes that could be cast with respect to shares of Capital Stock Beneficially Owned by such Person (including, for these purposes, (i) any Excess Shares Beneficially Owned by such Person and

held and/or voted by the Escrow Share Agent, and (ii) any shares of Capital Stock Beneficially Owned by such Person, but not yet issued) and the denominator of which shall be (a) the total number of votes that could be cast by all shareholders of the Corporation (including such particular Person) based upon the issued and outstanding shares of Capital Stock at the time of determination plus (b) any shares of Capital Stock that have not been issued but which were counted in the determination of the numerator. If the Corporation shall issue any series or class of shares for which positions on the Board of Directors of the Corporation are reserved or shall otherwise issue shares which have voting rights which can arise or vary based upon terms governing that class or series, then the percentage of the voting power represented by the shares of Capital Stock Beneficially Owned by any particular Person shall be the highest percentage of the total votes which could be accounted for by those shares in any election of any director.

(bb) "VOTING TRUST AND DIVESTITURE AGREEMENT" means that certain Voting Trust and Divestiture Agreement among the Corporation, the Foundation, Wisconsin BC Holdings LLC, a Wisconsin limited liability company, and the trustee named therein, dated as of the effective date of the filing of these Amended and Restated Articles of Incorporation.

SECTION 2.

(a) No Institutional Investor shall Beneficially Own shares of Capital Stock in excess of the Institutional Investor Ownership Limit. No Noninstitutional Investor shall Beneficially Own shares of Capital Stock in

excess of the Noninstitutional Investor Ownership Limit. No Person shall Beneficially Own shares of Capital Stock in excess of the General Ownership Limit.

(b) The occurrence of any Transfer which would cause any Person to Beneficially Own Capital Stock in excess of any Ownership Limit applicable to such Person shall have the following legal consequences: (i) such Person shall receive no rights to the Excess Shares resulting from such Transfer (other than as specified in this Article V), and (ii) the Excess Shares resulting from such Transfer immediately shall be deemed to be conveyed to the Share Escrow Agent.

(c) Notwithstanding the foregoing, a Person's Beneficial Ownership of Capital Stock shall not be deemed to exceed any Ownership Limit applicable to such Person if (A) the Excess Shares with respect to such Person do not exceed the lesser of 1% of the Voting Power of the Capital Stock or 1% of the ownership interest in the Corporation, and (B) within fifteen (15) days of the time when such Person becomes aware of the existence of such Excess Shares, such Person transfers or otherwise disposes of sufficient shares of Capital Stock so that such Person's Beneficial Ownership of Capital Stock shall not exceed any Ownership Limit.

SECTION 3. Any Excess Owner who acquires or attempts to acquire shares of Capital Stock in violation of Section 2 of this Article V, or any Excess Owner who is a transferee such that any shares of Capital Stock are deemed Excess Shares, shall immediately give written notice to the Corporation of such event and shall provide to the Corporation such other information as the Corporation may request.

SECTION 4. The Corporation shall have the right to take such actions as it deems necessary to give effect to the transfer of Excess Shares to the Share Escrow Agent, including refusing to give effect to the Transfer or any subsequent Transfer of Excess Shares by the Excess Owner on the books of the Corporation. Excess Shares so held or deemed held by the Share Escrow Agent shall be issued and outstanding shares of Capital Stock. An Excess Owner shall have no rights in such Excess Shares except as expressly provided in this Article V and the administration of the Excess Shares escrow shall be governed by the terms of an Excess Share Escrow Agreement to be entered into between the Corporation and the Share Escrow Agent and having such terms as the Corporation shall deem appropriate.

SECTION 5. The Share Escrow Agent, as record holder of Excess Shares, shall be entitled to receive all dividends and distributions as may be declared by the Board of Directors of the Corporation with respect to Excess Shares (the "EXCESS SHARE DIVIDENDS") and shall hold the Excess Share Dividends until disbursed in accordance with the provisions of Section 9 of this Article V. In the event an Excess Owner receives any Excess Share Dividends (including without limitation Excess Share Dividends received prior to the time the Corporation determines that Excess Shares exist with respect to such Excess Owner), such Excess Owner shall repay such Excess Share Dividends to the Share Escrow Agent or the Corporation. The Corporation shall take all measures that it determines reasonably necessary to recover the amount of any Excess Share Dividends paid to an Excess Owner, including, if necessary, withholding any portion of future dividends or distributions payable on shares of Capital Stock Beneficially Owned by any Excess Owner (including future dividends on distributions on shares of Capital Stock which fall below the Ownership Limit as well as on Excess Shares), and, as soon as practicable following the Corporation's receipt or withholding

thereof, shall pay over to the Share Escrow Agent the dividends so received or withheld, as the case may be.

SECTION 6. In the event of any voluntary or involuntary liquidation, dissolution, or winding up of, or any distribution of the assets of, the Corporation, the Share Escrow Agent shall be entitled to receive, ratably with each other holder of Capital Stock of the same class or series, that portion of the assets of the Corporation that shall be available for distribution to the holders of such class or series of Capital Stock. The Share Escrow Agent shall distribute to the Excess Owner the amounts received upon such liquidation, dissolution, winding up or distribution in accordance with the provisions of Section 9 of this Article V.

SECTION 7. The Share Escrow Agent shall be entitled to vote all Excess Shares. The Share Escrow Agent shall vote, consent, or assent Excess Shares as follows:

(a) to vote in favor of each nominee to the Board of Directors of the Corporation whose nomination has been approved by an Independent Board Majority and to vote against any candidate for the Board of Directors of the Corporation for whom no competing candidate has been nominated or selected by an Independent Board Majority;

(b) unless such action is initiated by or with the consent of the Board of Directors of the Corporation, (i) to vote against removal of any director of the Corporation, (ii) to vote against any alteration, amendment, change or addition to or repeal (collectively, "CHANGE") of

the Bylaws or these Articles of Incorporation, (iii) not to nominate any candidate to fill any vacancy of the Board of Directors of the Corporation, (iv) not to call any special meeting of the shareholders of the Corporation, and (v) not take any action by voting such Excess Shares that would be inconsistent with or would have the effect, directly or indirectly, of defeating or subverting the voting requirements contained in Section 7(a) of this Article V or this Section 7(b) of Article V;

(c) to the extent not covered by clauses (a) and (b) above, on any action, proposal or resolution requiring the approval of the Board of Directors of the Corporation as a prerequisite to entitle the shareholders of the Corporation to vote thereon and as a prerequisite to become effective, to vote in the same proportion as all other votes represented by shares of Capital Stock are cast with respect to such action, proposal or resolution; and

(d) to the extent not covered by clauses (a), (b) and (c) above, to vote as recommended by the Board of Directors of the Corporation.

SECTION 8.

(a) The Share Escrow Agent shall hold all Excess Shares until such time as they are sold in accordance with this Section 8 of Article V.

(b) The Share Escrow Agent shall sell or cause the sale of Excess Shares at such time or times and on such terms as shall be determined by the Corporation. The Share Escrow Agent shall have the right to take such actions as the Corporation shall deem appropriate to ensure that sales of Excess Shares shall be made only to Permitted Transferees.

(c) The Share Escrow Agent shall have the power to convey to the purchaser of any Excess Shares sold by the Share Escrow Agent ownership of such Excess Shares free of any interest of the Excess Owner of those Excess Shares and free of any other adverse interest arising through the Excess Owner. The Share Escrow Agent shall be authorized to execute any and all documents sufficient to transfer title to any Permitted Transferee.

(d) Upon acquisition by any Permitted Transferee of any Excess Shares sold by the Share Escrow Agent or the Excess Owner, such shares shall upon such sale cease to be Excess Shares and shall become regular shares of Capital Stock in the class or series to which such Excess Shares otherwise belong, and the purchaser of such shares shall acquire such shares free of any claims of the Share Escrow Agent or the Excess Owner.

(e) To the extent permitted by the WBCL or other applicable law, neither the Corporation, the Share Escrow Agent nor anyone else shall have any liability to the Excess Owner or anyone else by reason of any action or inaction the Corporation or the Share Escrow Agent or any director, officer or agent of the Corporation shall take which any of them shall in good faith believe to be within the scope of their authority under this Article V or by reason of any decision as to when or how to sell any Excess Shares or by reason of any other action or inaction in connection with the activities permitted under this Article V which does not constitute gross negligence or willful misconduct. Without limiting by implication the scope of

the preceding sentence, to the extent permitted by law, neither the Share Escrow Agent nor the Corporation nor any director, officer or agent of the Corporation (a) shall have any liability on grounds that any of them failed to take actions which would or could have produced higher proceeds for any of the Excess Shares or by reason of the manner or timing for any disposition of any Excess Shares, and (b) shall be deemed to be a fiduciary or agent of any Excess Owner.

SECTION 9. The proceeds from the sale of the Excess Shares and any Excess Share Dividends shall be distributed as follows: (i) FIRST, to the Share Escrow Agent for any costs and expenses incurred in respect of its administration of the Excess Shares that have not theretofore been reimbursed by the Corporation; (ii) SECOND, to the Corporation for all costs and expenses incurred by the Corporation in connection with the appointment of the Share Escrow Agent, the payment of fees to the Share Escrow Agent with respect to the services provided by the Share Escrow Agent in respect of the escrow and for any other direct or indirect and out of pocket expenses incurred by the Corporation in connection with the Excess Shares, including any litigation costs and expenses, and all funds expended by the Corporation to reimburse the Share Escrow Agent for costs and expenses incurred by the Share Escrow Agent in respect of its administration of the Excess Shares and for all fees, disbursements and expenses incurred by the Share Escrow Agent in connection with the sale of the Excess Shares; and (iii) THIRD, the remainder thereof (as the case may be) to the Excess Owner; PROVIDED, HOWEVER, if the Corporation shall have any questions as to whether any security interest or other interest adverse to the Excess Owner shall have existed with respect to any Excess Shares, neither the Share Escrow Agent, the Corporation nor anyone else shall have the obligation to disburse proceeds for those shares until the Share Escrow Agent shall be provided with such evidence as the Corporation shall deem necessary to determine the parties who shall be entitled to such proceeds.

SECTION 10. Each certificate for Capital Stock shall bear the following legend:

"The shares of stock represented by this certificate are subject to restrictions on ownership and transfer. All capitalized terms in this legend have the meanings ascribed to them in the Corporation's Articles of Incorporation, as the same may be amended from time to time, a copy of which, including the restrictions on ownership and transfer, shall be sent without charge to each shareholder who so requests. No Person shall Beneficially Own shares of Capital Stock in excess of any Ownership Limit applicable to such Person. Subject to certain limited specific exemptions, (i) Beneficial Ownership of that number of shares of Capital Stock by an Institutional Investor which would represent 10% or more of the Voting Power would exceed the Institutional Investor Ownership Limit, (ii) Beneficial Ownership of that number of shares of Capital Stock by a Noninstitutional Investor which would represent 5% or more of the Voting Power would exceed the Noninstitutional Investor Ownership Limit, and (iii) Beneficial Ownership of any combination of shares in any series or class of Capital Stock (including Common Stock) that represents 20% or more of the ownership interest in the Corporation (determined as provided in the

Corporation's Articles of Incorporation) would exceed the General Ownership Limit. Any Person who attempts to Beneficially Own shares of Capital Stock in violation of this limitation must immediately notify the Corporation. Upon the occurrence of any event that would cause any Person to exceed any Ownership Limit applicable to such Person (including without limitation the expiration of a voting trust that entitled such Person to an exemption from any Ownership Limit applicable to such Person), all shares of Capital Stock Beneficially Owned by such Person in excess of any Ownership Limit applicable to such Person shall automatically be deemed Excess Shares and shall be transferred immediately to the Share Escrow Agent and shall be subject to the provisions of the Corporation's Articles of Incorporation. The foregoing summary of the restrictions on ownership and transfer is qualified in its entirety by reference to the Corporation's Articles of Incorporation."

The legend may be amended from time to time to reflect amendments to these Articles of Incorporation, or revisions to the Ownership Limits in accordance with Section 15 of this Article V.

SECTION 11. Subject to Section 12 of this Article V, nothing contained in this Article V or in any other provision of these Articles of Incorporation shall limit the authority of the Corporation to take such other action (not specifically prohibited by these Articles of Incorporation) as it deems necessary or advisable to protect the Corporation and the interests of its shareholders.

SECTION 12. Nothing contained in these Articles of Incorporation shall preclude the settlement of any transactions entered into through the facilities of the New York Stock Exchange, Inc. or any other exchange or through the means of any automated quotation system now or hereafter in effect.

SECTION 13. Except in the case of manifest error, any interpretation of this Article V by the Board of Directors of the Corporation shall be conclusive and binding; PROVIDED, HOWEVER, that in making any such interpretation, the Board of Directors of the Corporation shall consider, wherever relevant, the

Corporation's obligations to the BCBSA.

SECTION 14. This Article V shall not be applicable with respect to any shares of Capital Stock (i) Beneficially Owned by the Foundation which were issued by the Corporation ("Original Foundation Shares"), or (ii) acquired by the Foundation with respect to Original Foundation Shares as a result of a stock dividend, stock split, conversion, recapitalization, exchange of shares or the like, so long as such shares of Capital Stock shall be Beneficially Owned by the Foundation or by a trustee for the account of the Foundation and subject to the terms of the Voting Trust and Divestiture Agreement, PROVIDED, HOWEVER, that the legend set forth in Section 10 of this Article V shall be placed on all shares of Capital Stock issued to the Foundation at any time. Upon the Transfer of any Beneficial Ownership interest in any Original Foundation Shares (and such other shares of Capital Stock received by the Foundation or by a trustee for the account of the Foundation as a result of a stock dividend, stock split, conversion, recapitalization, exchange of shares or the like relating to such Original

Foundation Shares) from the Foundation or trustee thereof or the voting trust established by the Voting Trust and Divestiture Agreement to any transferee, those shares of Capital Stock shall become fully subject to this Article V from and at all times after such Transfer. Additionally, this Article V shall not be applicable with respect to any shares of Capital Stock Beneficially Owned by a wholly owned subsidiary of the Corporation.

SECTION 15. In the event the Corporation issues any series or class of Capital Stock other than Common Stock, then an Independent Board Majority shall have the power to determine the manner in which each class or series of Capital Stock shall be counted for purposes of determining each Ownership Limit.

ARTICLE VI
BYLAWS

SECTION 1. The Bylaws shall govern the business and affairs of the Corporation, the rights and powers of the directors, officers, employees and shareholders of the Corporation in accordance with its terms and shall govern the rights of all persons concerned relating in any way to the Corporation except that if any provision in the Bylaws shall be irreconcilably inconsistent with any provision in these Articles of Incorporation, the provision in these Articles of Incorporation shall control.

SECTION 2. The Board of Directors of the Corporation shall have the power to amend or replace the Bylaws of the Corporation by the vote of a majority of the whole Board of Directors of the Corporation, except that the approval of an Independent Board Majority shall be required to amend or replace any provision of the Bylaws of the Corporation which, pursuant to the terms thereof, may now or hereafter require the approval of an Independent Board Majority. The shareholders of the Corporation shall not have the power to Change (as defined in Section 7 of Article V hereof) the Bylaws of the Corporation unless such Change shall be approved by the holders of at least seventy-five percent (75%) of the then issued and outstanding shares of Common Stock entitled to vote thereon. Notwithstanding anything contained in this Article VI to the contrary, for so long as the Foundation Beneficially Owns twenty percent (20%) or more of the issued and outstanding shares of Capital Stock, any amendment to the Bylaws of the Corporation shall be subject to the prior review and approval of the Office of the Commissioner of Insurance before such amendment shall be given

full force and effect.

ARTICLE VII
NO PREFERENTIAL RIGHTS

No shareholder of the Corporation shall, by reason of his, her or its holding shares of any class or series, have any preemptive or preferential rights to purchase or subscribe to any shares of Capital Stock of the Corporation now or hereafter to be authorized, or any notes, debentures, bonds or other securities convertible into or carrying options or warrants to purchase shares of any class now or hereafter to be authorized (whether or not the issuance of any such shares or such notes, debentures, bonds or other securities would adversely affect the dividend or voting rights of such shareholder) other than such rights, if any, as the Board of

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Directors of the Corporation in its discretion from time to time may grant and at such price as the Board of Directors of the Corporation may fix; and the Board of Directors of the Corporation may issue shares of Capital Stock of the Corporation or any notes, debentures, bonds or other securities, convertible into or carrying options or warrants to purchase shares of Capital Stock without offering any such shares of Capital Stock, either in whole or in part, to the existing shareholders.

ARTICLE VIII
NO CUMULATIVE VOTING

There shall be no cumulative voting by shareholders of any class or series of Capital Stock in the election of directors of the Corporation.

ARTICLE IX
BOOKS AND RECORDS

The books and records of the Corporation may be kept (subject to any provision contained in the WBCL or other applicable law) at such place or places as may be designated from time to time by the Board of Directors of the Corporation or in the Bylaws of the Corporation.

ARTICLE X
RIGHT TO AMEND ARTICLES OF INCORPORATION

The Corporation reserves the right to Change (as defined in Section 7 of Article V hereof) any provision contained in these Articles of Incorporation, in the manner now or hereafter prescribed by the WBCL or other applicable law and these Articles of Incorporation, and all rights conferred upon shareholders herein are granted subject to this reservation; PROVIDED, HOWEVER, that notwithstanding anything contained in these Articles of Incorporation to the contrary, (a) the approval of an Independent Board Majority shall be required for the Board of Directors to approve and authorize any Change to Sections 1, 3, 4, 5, 6, 7, 10 and 11 of Article III, Article IV, Article V, Article VI, Article VIII, or this Article X, and (b) the affirmative vote of the holders of at least seventy-five percent (75%) of the then issued and outstanding shares of Common Stock entitled to vote thereon shall be required to Change Sections 1, 3, 4, 5, 6, 7, 10, and 11 of Article III, Article IV, Article V, Article VI, Article VIII, and this Article X (the "SUPERMAJORITY SHAREHOLDER VOTE") and PROVIDED FURTHER, HOWEVER, that (i) the Supermajority Shareholder Vote shall become unnecessary and shall be of no further force and effect with respect to a Change

to Article V hereof in the event that each and every License Agreement to which the Corporation shall be subject shall have been terminated; and (ii) the Supermajority Shareholder Vote shall not apply to (1) any Change to Article V to conform Article V hereof to a change to the terms of any License Agreement, (2) any Change to Article V hereof required or permitted by the BCBSA (whether or not constituting a change to the terms of any License Agreement), or (3) any Change to Article V hereof approved by an Independent Board Majority in connection with a proposal to acquire (by means of a merger, consolidation or otherwise) all of the outstanding Capital Stock of the Corporation. The affirmative vote of the holders of at least the percentage of the issued and

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outstanding Capital Stock entitled to vote thereon required by the WBCL or other applicable law shall be required to Change any provisions of these Articles of Incorporation that shall not require the Supermajority Shareholder Vote under this Article X. Notwithstanding anything contained in this Article X to the contrary, for so long as the Foundation Beneficially Owns twenty percent (20%) or more of the issued and outstanding shares of Capital Stock, any amendment to these Articles of Incorporation shall be subject to the prior review and approval of the Office of the Commissioner of Insurance before such amendment shall be given full force and effect.

ARTICLE XI
REGISTERED AGENT

The address of the registered office of the corporation in the state of Wisconsin is 401 West Michigan Street, Milwaukee, WI 53202. The name of its registered agent at such address is Thomas R. Hefty.

This instrument was drafted by and is returnable to:

Geoffrey R. Morgan
Michael Best & Friedrich LLP
100 East Wisconsin Avenue, Suite 3300
Milwaukee, WI 53202-4108
(414) 271-6560

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AMENDED AND RESTATED

BYLAWS

OF

COBALT CORPORATION
(a Wisconsin corporation)

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AMENDED AND RESTATED

BYLAWS

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ARTICLE I. OFFICES

1.01. PRINCIPAL AND BUSINESS OFFICES. The corporation may have such principal and other business offices, either within or without the State of Wisconsin, as the Board of Directors may designate or as the business of the corporation may require from time to time.

1.02. REGISTERED OFFICE. The registered office of the corporation required by the Wisconsin Business Corporation Law to be maintained in the State of Wisconsin may be, but need not be, identical with the principal office in the State of Wisconsin, and the address of the registered office may be changed from time to time by the Board of Directors or by the registered agent. The business office of the registered agent of the corporation shall be identical to such registered office.

ARTICLE II. SHAREHOLDERS

2.01. ANNUAL MEETING. The Annual Meeting of the shareholders shall be held at the principal office of the Corporation in the City of Milwaukee, Milwaukee County, Wisconsin, unless the Board of Directors shall designate another location either within or without the State of Wisconsin. The Annual Meeting shall take place on the last Wednesday of May each year or at such other time and date as may be fixed by or under the authority of the Board of Directors. If the day fixed for the Annual Meeting shall be a legal holiday in the State of Wisconsin, such meeting shall be held on the next succeeding business day. At such meeting the Shareholders shall elect Directors and transact such other business as shall lawfully come before them.

2.02. SPECIAL MEETINGS. Special meetings of shareholders may be called only by the Chairman of the Board, the President, an Independent Board Majority (as defined in Section 4.B.3 of Article III of the Articles of Incorporation), or any other party specifically mandated by the Wisconsin Business Corporation Law. The Chairman of the Board, the President, or an Independent Board Majority, as the case may be, shall have the right to determine the business to be transacted at any special meeting and no issue or matter may be acted upon by any shareholders at any special meeting unless such issue or matter has been approved by the Board of Directors for vote by shareholders at such meeting,

unless Wisconsin law specifically authorizes such action by the shareholders without the assent of the Board of Directors.

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2.03. PLACE OF MEETING. The Board of Directors may designate any place, either within or without the State of Wisconsin, as the place of meeting for any annual or special meeting of shareholders. If no designation is made, the place of meeting shall be the principal office of the Corporation. Any meeting may be adjourned to reconvene at any place designated by vote of a majority of the shares represented thereat.

2.04. NOTICE OF MEETING. Written notice stating the date, time and place of any meeting of shareholders and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than ten days nor more than sixty days before the date of the meeting (unless a different time is provided by the Wisconsin Business Corporation Law or the Articles of Incorporation), either personally or by mail, by or at the direction of the President or the Secretary, to each shareholder of record entitled to vote at such meeting and to such other persons as required by the Wisconsin Business Corporation Law. If mailed, such notice shall be deemed to be effective when deposited in the United States mail, addressed to the shareholder at his or her address as it appears on the stock record books of the Corporation, with postage thereon prepaid. If an annual or special meeting of shareholders is adjourned to a different date, time or place, the Corporation shall not be required to give notice of the new date, time or place if the new date, time or place is announced at the meeting before adjournment; PROVIDED, HOWEVER, that if a new record date for an adjourned meeting is or must be fixed, the Corporation shall give notice of the adjourned meeting to persons who are shareholders as of the new record date.

2.05. WAIVER OF NOTICE. A shareholder may waive any notice required by the Wisconsin Business Corporation Law, the Articles of Incorporation or these Bylaws before or after the date and time stated in the notice. The waiver shall be in writing and signed by the shareholder entitled to the notice, contain the same information that would have been required in the notice under applicable provisions of the Wisconsin Business Corporation Law (except that the time and place of meeting need not be stated) and be delivered to the Corporation for inclusion in the corporate records. A shareholder's attendance at a meeting, in person or by proxy, waives objection to all of the following: (a) lack of notice or defective notice of the meeting, unless the shareholder at the beginning of the meeting or promptly upon arrival objects to holding the meeting or transacting business at the meeting; and (b) consideration of a particular matter at the meeting that is not within the purpose described in the meeting notice, unless the shareholder objects to considering the matter when it is presented.

2.06. FIXING OF RECORD DATE. The Board of Directors may fix in advance a date as the record date for the purpose of determining shareholders entitled to notice of and to vote at any meeting of shareholders, shareholders entitled to take any other action, or shareholders for any other purpose. Such record date shall not be more than seventy days prior to the date on which the particular action, requiring such determination of shareholders, is to be taken. If no record date is fixed by the Board of Directors or by the Wisconsin Business Corporation Law for the determination of shareholders entitled to notice of and to vote at a meeting of shareholders, the record date shall be the close of business on the day before the first notice is given to shareholders. Except as provided by the Wisconsin Business Corporation Law for a court-ordered adjournment, a

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determination of shareholders entitled to notice of and to vote at a meeting of shareholders is effective for any adjournment of such meeting unless the Board of Directors fixes a new record date, which it shall do if the meeting is adjourned to a date more than 120 days after the date fixed for the original meeting. The record date for determining shareholders entitled to a distribution (other than a distribution involving a purchase, redemption or other acquisition of the Corporation's shares) or a share dividend is the date on which the Board of Directors authorized the distribution or share dividend, as the case may be, unless the Board of Directors fixes a different record date.

2.07. SHAREHOLDERS LIST FOR MEETINGS. After a record date for a special or annual meeting of shareholders has been fixed, the Corporation shall prepare a list of the names of all of the shareholders entitled to notice of the meeting. The list shall be arranged by class or series of shares, if any, and show the address of and number of shares held by each shareholder. Such list shall be available for inspection by any shareholder, beginning two business days after notice of the meeting is given for which the list was prepared and continuing to the date of the meeting, at the Corporation's principal office or at a place identified in the meeting notice in the city where the meeting will be held. A shareholder or his or her agent may, on written demand, inspect and, subject to the limitations imposed by the Wisconsin Business Corporation Law, copy the list, during regular business hours and at his or her expense, during the period that it is available for inspection pursuant to this Section 2.07. The Corporation shall make the shareholders list available at the meeting and any shareholder or his or her agent or attorney may inspect the list at any time during the meeting or any adjournment thereof. Refusal or failure to prepare or make available the shareholders list shall not affect the validity of any action taken at a meeting of shareholders.

2.08. QUORUM AND VOTING REQUIREMENTS.

(a) Shares entitled to vote as a separate voting group as defined in the Wisconsin Business Corporation Law may take action on a matter at a meeting only if a quorum of those shares exists with respect to that matter. Unless the Articles of Incorporation or the Wisconsin Business Corporation Law provide otherwise, a majority of the votes entitled to be cast on the matter by a voting group constitutes a quorum of that voting group for action on that matter. Once a share is represented for any purposes at a meeting, other than for the purpose of objecting to holding the meeting or transacting business at the meeting, it is considered present for purposes of determining whether a quorum exists, for the remainder of the meeting and for any adjournment of that meeting unless a new record date is or must be set for that adjourned or postponed meeting. If a quorum exists, action on a matter by a voting group is approved if the votes cast within the voting group favoring the action exceed the votes cast opposing the action, unless the Articles of Incorporation or the Wisconsin Business Corporation Law require a greater number of affirmative votes. "Voting group" means: (a) All shares of one or more classes or series that under the Articles of Incorporation or the Wisconsin Business Corporation Law are entitled to vote and be counted together collectively on a matter at a meeting of shareholders; or (b) All shares that under the Articles of Incorporation or the Wisconsin Business Corporation Law are entitled to vote generally on a matter. Though less than a quorum of the outstanding shares are represented at a meeting, a majority of the shares so represented may adjourn the

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meeting from time to time without further notice. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified.

(b) Each director shall be elected by a plurality of the votes cast by the shares entitled to vote in the election of directors at a meeting at which a quorum is present. Cumulative voting is not permitted with respect to the election of directors, and thus no shareholder entitled to vote in the election of directors shall have the right to cast as many votes in the aggregate as shall equal the number of votes held by the shareholder in the Corporation, multiplied by the number of directors to be elected at the election, for one candidate, or distribute them among two or more candidates.

2.09. CONDUCT OF MEETING. The Chairman of the Board, or in the Chairman's absence, the President, and in his or her absence, a Vice President as is designated by the Board of Directors, shall call the meeting of the shareholders to order and shall act as chairman of the meeting, and the Secretary of the Corporation shall act as secretary of all meetings of the shareholders, but, in the absence of the Secretary, the presiding officer may appoint any other person to act as secretary of the meeting.

2.10. PROXIES. At all meetings of shareholders, a shareholder entitled to vote may vote in person or by proxy. A shareholder may appoint a proxy to vote or otherwise act for the shareholder by signing an appointment form, either personally or by his or her attorney-in-fact. Such proxy appointment is effective when received by the Secretary before or at the time of the meeting. Unless otherwise provided in the appointment form of proxy, a proxy appointment may be revoked by the shareholder at any time before it is voted, either by written notice filed with the Secretary or the acting Secretary of the meeting or by oral notice given by the shareholder to the presiding officer during the meeting. The presence of a shareholder who has filed his or her proxy appointment shall not of itself constitute a revocation. No proxy appointment shall be valid after eleven months from the date of its execution, unless otherwise provided in the appointment form of proxy. The Board of Directors shall have the power and authority to make rules establishing presumptions as to the validity and sufficiency of proxy appointments.

2.11. VOTING OF SHARES. Except as provided in the Articles of Incorporation or in the Wisconsin Business Corporation Law, each outstanding share, regardless of class, is entitled to one vote on each matter voted on at a meeting of shareholders.

2.12. NO ACTION WITHOUT MEETING. No action required or permitted to be taken at any annual or special meeting of shareholders of the Corporation may be taken by written consent without a meeting of such shareholders.

2.13. VOTING OF SHARES BY CERTAIN HOLDERS.

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(a) OTHER CORPORATIONS. Shares standing in the name of another corporation may be voted either in person or by proxy, by the president of such corporation or any other officer appointed by such president. An appointment form of proxy executed by any principal officer of such other corporation or assistant thereto

shall be conclusive evidence of the signer's authority to act, in the absence of express notice to the Corporation given in writing to the Secretary, or the designation of some other person by the board of directors or by the bylaws of such other corporation.

(b) LEGAL REPRESENTATIVES AND FIDUCIARIES. Shares held by an administrator, executor, guardian, conservator, trustee in bankruptcy, receiver or assignee for creditors may be voted by him, her or it either in person or by proxy, without a transfer of such shares into his, her or its name, provided that there is filed with the Secretary before or at the time of meeting proper evidence of his, her or its incumbency and the number of shares held by him, her or it either in person or by proxy. An appointment form of proxy executed by a fiduciary shall be conclusive evidence of the signer's authority to act, in the absence of express notice to the Corporation, given in writing to the Secretary, that such manner of voting is expressly prohibited or otherwise directed by the document creating the fiduciary relationship.

(c) PLEDGEES. A shareholder whose shares are pledged shall be entitled to vote such shares until the shares have been transferred into the name of the pledgee, and thereafter the pledgee shall be entitled to vote the shares so transferred; provided, however, a pledgeė shall be entitled to vote shares held of record by the pledgor if the Corporation receives acceptable evidence of the pledgee's authority to sign.

(d) TREASURY STOCK AND SUBSIDIARIES. Neither treasury shares, nor shares held by another corporation if a majority of the shares entitled to vote for the election of directors of such other corporation is held by the Corporation, shall be voted at any meeting or counted in determining the total number of outstanding shares entitled to vote, but shares of its own issue held by the Corporation in a fiduciary capacity, or held by such other corporation in a fiduciary capacity, may be voted and shall be counted in determining the total number of outstanding shares entitled to vote.

(e) MINORS. Shares held by a minor may be voted by such minor in person or by proxy and no such vote shall be subject to disaffirmance or avoidance, unless prior to such vote the Secretary has received written notice or has actual knowledge that such shareholder is a minor. Shares held by a minor may be voted by a personal representative, administrator, executor, guardian or conservator representing the minor if evidence of such fiduciary status, acceptable to the Corporation, is presented.

(f) INCOMPETENTS AND SPENDTHRIFTS. Shares held by an incompetent or spendthrift may be voted by such incompetent or spendthrift in person or by proxy and no such vote shall be subject to disaffirmance or avoidance, unless prior to such vote the Secretary has actual knowledge that such shareholder has been adjudicated an incompetent or spendthrift or

actual knowledge of judicial proceedings for appointment of a guardian. Shares held by an incompetent or spendthrift may be voted by a personal representative, administrator, executor, guardian or conservator representing the minor if evidence of such fiduciary status, acceptable to the Corporation, is presented.

(g) JOINT TENANTS. Shares registered in the names of two or more individuals who are named in the registration as joint tenants may be voted in person or by proxy signed by any one or more of such individuals if either (i) no other such individual or his or her legal representative is present and

claims the right to participate in the voting of such shares or prior to the vote files with the Secretary a contrary written voting authorization or direction or written denial of authority of the individual present or signing the appointment form of proxy proposed to be voted, or (ii) all such other individuals are deceased and the Secretary has no actual knowledge that the survivor has been adjudicated not to be the successor to the interests of those deceased.

2.14. SHAREHOLDER PROPOSALS.

(a) Shareholders shall be entitled to submit proposals to be voted upon by shareholders at an annual meeting of the Corporation provided that they comply with the procedures set forth in this Section 2.14. Only those proposals which satisfy all requirements specified in this Section 2.14 shall be deemed "QUALIFIED SHAREHOLDER PROPOSALS."

(b) In order for a proposal to constitute a "Qualified Shareholder Proposal," all of the following requirements must be satisfied:

(1) The proposal must be made for submission at an annual meeting of shareholders;

(2) The proposal must be a proper subject for shareholder action. The Board of Directors shall be entitled to determine that any proposal which the shareholder is not entitled to have included in the Corporation's proxy statement for the annual meeting under the Securities Exchange Act of 1934, as amended (the "EXCHANGE ACT"), and the regulations issued by the Securities and Exchange Commission (which are collectively referred to herein as the "SEC PROXY RULES") is not a proper subject for shareholder action;

(3) The proposal must be made by a shareholder who shall be the record holder on the record date for such annual meeting and at that meeting of shares entitled to be voted for the proposal (a "PROPOSING SHAREHOLDER");

(4) The Proposing Shareholder must deliver a written notice identifying such proposal to the office of the Corporation's Corporate Secretary at the Corporation's principal place of business which provides the information

required by these Bylaws which is timely under the standards given in Section 3.04(e)(4) of these Bylaws;

(5) Such Proposing Shareholder's proposal notice shall: (i) contain a description of the proposal, the reasons for the proposal and any material interest in such proposal by the Proposing Shareholder or the beneficial owner of the shareholder's record shares; (ii) contain an affirmation by the Proposing Shareholder that the shareholder satisfies the requirements specified in this Section 2.14 for presentation of such proposal; and (iii) as to the Proposing Shareholder and the beneficial owner, if any, on whose behalf the proposal is made (x) the name and address of such Proposing Shareholder, as they appear on the Corporation's books, and of such beneficial owner and the telephone number at which each may be contacted during normal business hours through the time for which the meeting is scheduled, and (y) the class and number of shares of the Corporation which are owned beneficially and of record by such Proposing Shareholder and such beneficial owner; and

(6) The Proposing Shareholder and the beneficial owner shall provide

such other information as any officer of the Corporation shall reasonably deem relevant within such time limits as any officer of the Corporation shall reasonably impose for such information.

(c) Nothing in these Bylaws shall be deemed to prohibit a shareholder from including any proposals in the Corporation's proxy statement to the extent such inclusion shall be required by the SEC Proxy Rules or to lessen any obligation by any shareholder to comply with the SEC Proxy Rules; PROVIDED, HOWEVER, that neither the fact that a shareholder's nominee qualifies as a Qualified Candidate (as defined in Section 3.04 of these Bylaws) nor the fact that a Proposing Shareholder's proposal qualifies as a Qualified Shareholder Proposal under this Section 2.14 shall obligate the Corporation to endorse that candidate or proposal or (except to the extent required by the SEC Proxy Rules) to provide a means to vote on that proposal on proxy cards solicited by the Corporation or to include information about that proposal in the Corporation's proxy statement. To the extent this Section 2.14 shall be deemed by the Board of Directors or the Securities and Exchange Commission, or adjudged by a court of competent jurisdiction, to be inconsistent with the rights of shareholders to request inclusion of a proposal in the Corporation's proxy statement pursuant to the SEC Proxy Rules, the SEC Proxy Rules shall prevail.

2.15 INVALIDITY. The Chairman of the Board, upon recommendation of the Secretary, may reject a vote, consent, waiver or proxy appointment, if the Secretary or other Officer or agent of the Corporation who is authorized to tabulate votes, acting in good faith, has reasonable doubt about the validity of the signature on it or about the signatory's authority to sign for the shareholder. The Corporation and its Officer or agent who accepts or rejects a vote, consent, waiver or proxy appointment in good faith and in accordance with the Wisconsin

Business Corporation Law shall not be liable for damages to the shareholders for consequences of the acceptance or rejection.

ARTICLE III. BOARD OF DIRECTORS

3.01. GENERAL POWERS AND NUMBER. All corporate powers shall be exercised by or under the authority of, and the business and affairs of the Corporation managed under the direction of, the Board of Directors. The number of directors of the Corporation shall initially be nine (9) and thereafter such number as may be determined from time to time by an Independent Board Majority, provided that such number shall be no fewer than three (3) and no more than nine (9).

3.02. DIVISION OF THE BOARD OF DIRECTORS INTO CLASSES. The Board of Directors shall be divided into three classes in accordance with the Articles of Incorporation. The positions within each class shall be the same in number as reasonably practicable. Directors within a given class shall be designated as the "Class of [Year]" with the entry for "Year" being the year in which the next triennial election for directors in that class is scheduled to occur.

3.03 BOARD OF DIRECTORS' POWER TO ALTER THE NUMBER OF DIRECTORS AND THE SIZE OF CLASSES. The Board of Directors shall have the power (within the limitations prescribed by the Articles of Incorporation) by a resolution adopted by an Independent Board Majority at the time of such adoption to alter at any time and from time to time (i) the total number of directorship positions on the Board of Directors, and (ii) the number of directorship positions in any of the

three classes of directors established by the Articles of Incorporation. Except as otherwise expressly provided in the Articles of Incorporation, from the adoption of any particular resolution in the manner provided in the preceding sentence until the adoption in the manner prescribed by the preceding sentence of any subsequent resolution altering the results of the particular resolution, (i) the total number of directorship positions on the Board of Directors shall be equal to the number specified in the particular resolution, and (ii) the number of directorship positions in each of the three classes of directors established by the Articles of Incorporation shall be the number established in the particular resolution.

3.04 ELECTION OF DIRECTORS BY SHAREHOLDERS.

(a) Qualified Candidates (as defined below in this Section 3.04) for election as directors at any meeting of the shareholders of the Corporation shall be elected by plurality vote. (Under plurality voting, if five positions on the Board of Directors were up for election at any particular shareholders' meeting, then the five Qualified Candidates who receive more votes than any other Qualified Candidates shall be deemed elected at that meeting. It shall not, therefore, be necessary for election to the Board of Directors that a candidate receive a majority of the votes comprising the quorum for the meeting so long as the individual receives a number of votes sufficient for election under the terms hereof.)

(b) Only Qualified Candidates may be elected to the Board of Directors at any particular shareholders' meeting. Votes cast in favor of an individual who is not a Qualified Candidate shall not be effective to elect that individual to the Board of Directors regardless of whether (i) that individual receives a greater number of votes than Qualified Candidates who are elected to the Board of Directors under the preceding provisions of this Section 3.04 or (ii) no other individual receives any votes at that meeting.

(c) An individual shall be deemed a "QUALIFIED CANDIDATE" for election to the Board of Directors at any particular shareholders' meeting if that individual (i) shall have been nominated for election by the affirmative vote of an Independent Board Majority or shall have been nominated for election in a manner which satisfies all of the requirements specified in Section 3.04(e) hereof, and (ii) is not disqualified under the provisions of Section 3.04(d) hereof.

(d) The term "NON-INDEPENDENT CANDIDATE," as used with respect to any particular election of directors, means an individual who satisfies the conditions of clause (i) of Section 3.04(c) hereof but who does not qualify as an "Independent Director" as defined in Section 4.B.1 of Article III of the Articles of Incorporation. In the event that, in any particular election of directors, some but not all of the Non-Independent Candidates for director at such election may be eligible for election to the Board of Directors pursuant to Section 4.A of Article III of the Articles of Incorporation, then the Non-Independent Candidates shall be treated as Qualified Candidates until all positions available for Non-Independent Candidates at such election pursuant to Section 4.A of Article III of the Articles of Incorporation shall have been elected in the manner set forth in this Section 3.04. The remaining Non-Independent Candidates shall, in accordance with Section 3.04(b), be deemed to not be Qualified Candidates.

(e) An individual who is not nominated for election by the affirmative

vote of an Independent Board Majority, and who would otherwise qualify as a Qualified Candidate as provided in Sections 3.04(c) and 3.04(d) hereof, shall be a Qualified Candidate if all of the following requirements are satisfied:

(1) The nomination must be made for an election to be held at an annual meeting of shareholders or a special meeting of shareholders in which the Board of Directors has determined that candidates will be elected by the issued and outstanding shares of the Corporation's common stock to one or more positions on the Board of Directors;

(2) The individual must be nominated by a shareholder who shall be the record owner on the record date for such meeting and at that meeting of shares entitled to be voted at that meeting for the election of directors (a "NOMINATING SHAREHOLDER");

(3) The Nominating Shareholder must deliver a timely written nomination notice to the office of the Corporation's Corporate Secretary at the

Corporation's principal place of business which provides the information required by this Section 3.04(e);

(4) To be timely for an annual meeting, a Nominating Shareholder's notice must be actually delivered to the Corporate Secretary at the Corporation's principal place of business not later than the close of business on the 90th day nor earlier than the close of business on the 120th day prior to the first anniversary of the preceding year's annual meeting; PROVIDED, HOWEVER, that: (i) if the date of the annual meeting is more than 30 days before or more than 30 days after such anniversary date, notice by the shareholder to be timely must be so delivered not earlier than the close of business on the 120th day prior to such annual meeting and not later than the close of business on the later of the 90th day prior to such annual meeting or the 10th day following the day on which public announcement of the date of such meeting is first made by the Corporation, and (ii) if the number of directors to be elected to the Board of Directors is increased and there is no public announcement by the Corporation naming all of the nominees for director or specifying the size of the increased Board of Directors at least 70 days prior to the first anniversary of the preceding year's annual meeting, a Nominating Shareholder's nominating notice required by this Section 3.04(e) shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if (x) the Nominating Shareholder shall have nominated candidates in accordance with the requirements in this Section 3.04(e) for all Board of Directors positions not covered by such increase, and (y) the nomination notice for candidates to fill the expanded positions shall be actually delivered to the Corporate Secretary at the Corporation's principal place of business not later than the close of business on the 10th day following the day on which such public announcement is first made by the Corporation;

(5) If the election is to be held at a special shareholders' meeting, a Nominating Shareholder's nominating notice required by this Section 3.04(e) shall be considered timely for such meeting if it shall be actually delivered to the Corporate Secretary at the Corporation's principal place of business not later than the close of business on the 10th day following the day on which the Corporation shall first publicly announce the date of the special meeting and that a vote by shareholders shall be taken at such

meeting to elect one or more directors;

(6) In no event shall the public announcement of an adjournment of an annual meeting commence a new time period for the giving of a Nominating Shareholder's notice as described above. "PUBLIC ANNOUNCEMENT" means, for these purposes, disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act;

(7) Such Nominating Shareholder's nomination notice shall: (i) set forth as to each person whom the Nominating Shareholder proposes to nominate for election or reelection as a director all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to Regulation 14A under the Exchange Act; (ii) be accompanied by each nominee's written consent to being named in the proxy statement as a nominee and to serving as a director if elected; (iii) set forth the name and address of the shareholder giving the notice and the beneficial owner of the shares owned of record by the beneficial owner, and the telephone number at which the Corporation will be able to contact the shareholder, the beneficial owner and each nominee during usual business hours during the period through the meeting at which the nomination is to take place; and (iv) set forth the class and number of shares of the Corporation which are owned beneficially and of record by such Nominating Shareholder and such beneficial owner;

(8) The Nominating Shareholder, the beneficial owner and each nominee shall provide such other information as any officer of the Corporation shall reasonably deem relevant within such time limits as any officer of the Corporation shall reasonably impose for such information.

3.05. REGULAR MEETINGS. A regular meeting of the Board of Directors shall be held without other notice than this bylaw immediately after the annual meeting of shareholders and each adjourned session thereof. The place of such regular meeting shall be the same as the place of the meeting of shareholders which precedes it, or such other suitable place as may be announced at such meeting of shareholders. The Board of Directors shall provide, by resolution, the date, time and place, either within or without the State of Wisconsin, for the holding of additional regular meetings of the Board of Directors without other notice than such resolution.

3.06. SPECIAL MEETINGS. Special Meetings of the Board of Directors shall be held whenever called by the Chairman of the Board or the Secretary upon written request of any three Directors. The Secretary shall give sufficient notice of such meeting, to be not less than 48 hours, in person or by mail, telephone, telegraph, teletype, facsimile or other form of wire or wireless communication as to enable the Directors so notified to attend such meeting. The Chairman of the Board or Secretary who calls the meeting may fix any place, within or without the State of Wisconsin, as the place for holding any Special Meeting of the Board of Directors.

3.07. NOTICE; WAIVER. Notice of each special meeting of the Board of Directors shall be given by written notice delivered or communicated in person, by telegraph, teletype, facsimile or other form of wire or wireless communication, or by mail or private carrier, to each director at his business

address or at such other address as such director shall have designated in writing filed with the Secretary, in each case not less than forty-eight hours prior to the meeting.

The notice need not prescribe the purpose of the special meeting of the Board of Directors or the business to be transacted at such meeting. If mailed, such notice shall be deemed to be effective when deposited in the United States mail so addressed, with postage thereon prepaid. If notice is given by telegram, such notice shall be deemed to be effective when the telegram is delivered to the telegraph company. If notice is given by private carrier, such notice shall be deemed to be effective when delivered to the private carrier. If notice is given by facsimile, such notice shall be deemed to be effective when so given. Whenever any notice whatever is required to be given to any director of the Corporation under the Articles of Incorporation or these Bylaws or any provision of the Wisconsin Business Corporation Law, a waiver thereof in writing, signed at any time, whether before or after the date and time of meeting, by the director entitled to such notice shall be deemed equivalent to the giving of such notice. The Corporation shall retain any such waiver as part of the permanent corporate records. A director's attendance at or participation in a meeting waives any required notice to him or her of the meeting unless the director at the beginning of the meeting or promptly upon his or her arrival objects to holding the meeting or transacting business at the meeting and does not thereafter vote for or assent to action taken at the meeting.

3.08. QUORUM. Except as otherwise provided by the Wisconsin Business Corporation Law or by the Articles of Incorporation or these Bylaws, a majority of the number of directors specified in Section 3.01 of these Bylaws shall constitute a quorum for the transaction of business at any meeting of the Board of Directors. Except as otherwise provided by the Wisconsin Business Corporation Law or by the Articles of Incorporation or by these Bylaws, a quorum of any committee of the Board of Directors created pursuant to Section 3.14 hereof shall consist of a majority of the number of directors appointed to serve on the committee. A majority of the directors present (though less than such quorum) may adjourn any meeting of the Board of Directors or any committee thereof, as the case may be, from time to time without further notice.

3.09. MANNER OF ACTING. The affirmative vote of a majority of the directors present at a meeting of the Board of Directors or a committee thereof at which a quorum is present shall be the act of the Board of Directors or such committee, as the case may be, unless the Wisconsin Business Corporation Law, the Articles of Incorporation or these Bylaws require the vote of a greater number of directors.

3.10. CONDUCT OF MEETINGS. The Chairman of the Board, or in the Chairman's absence, the President, and in his or her absence, a Vice President as is designated by the Board of Directors, shall call meetings of the Board of Directors to order and shall act as chairman of the meeting. The Secretary of the Corporation shall act as secretary of all meetings of the Board of Directors but in the absence of the Secretary, the presiding officer may appoint any other person present to act as secretary of the meeting. Minutes of any regular or special meeting of the Board of Directors shall be prepared and distributed to each director.

3.11. VACANCIES. Neither the provisions of Section 3.04 nor any other provision set forth herein shall diminish the right granted to the Board of Directors to elect individuals to fill any vacancy which shall occur for any

reason as provided in the Articles of Incorporation; provided,

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however, any vacancy shall be filled in accordance with the provisions of Article III, Section 4 in the Articles of Incorporation.

3.12. COMPENSATION. The Board of Directors, irrespective of any personal interest of any of its members, may establish reasonable compensation of all directors for services to the Corporation as directors, officers or otherwise, or may delegate such authority to an appropriate committee. The Board of Directors also shall have authority to provide for or delegate authority to an appropriate committee to provide for reasonable pensions, disability or death benefits, and other benefits or payments, to directors, officers and employees and to their estates, families, dependents or beneficiaries on account of prior services rendered by such directors, officers and employees to the Corporation.

3.13. PRESUMPTION OF ASSENT. A director who is present and is announced as present at a meeting of the Board of Directors or any committee thereof created in accordance with Section 3.14 hereof, when corporate action is taken, assents to the action taken unless any of the following occurs: (a) the director objects at the beginning of the meeting or promptly upon his or her arrival to holding the meeting or transacting business at the meeting; (b) the director's dissent or abstention from the action taken is entered in the minutes of the meeting; or (c) the director delivers written notice that complies with the Wisconsin Business Corporation Law of his or her dissent or abstention to the presiding officer of the meeting before its adjournment or to the Corporation immediately after adjournment of the meeting. Such right of dissent or abstention shall not apply to a director who votes in favor of the action taken.

3.14. COMMITTEES.

(a) REGULAR COMMITTEES

1. GENERAL DESCRIPTION. In order to facilitate the work of the Board of Directors, the following regular committees shall be elected from the membership of the Board of Directors at the regular meeting of the Board of Directors held each year (or at such other time as the Board of Directors may determine):

Executive Committee
Finance Committee
Management Review Committee
Audit Committee
Nominating Committee

Each regular committee shall have three to six members; provided, however, the Nominating Committee shall be comprised of three members, one of which shall satisfy the definition of being an "independent public shareholder representative." For purposes of these Bylaws, each of Messrs. Richard Abdoo, Barry Allen and Dr. William Rupp shall be deemed to satisfy the definition of being an "independent

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public shareholder representative." The provisions setting forth the

composition of the Nominating Committee in this paragraph shall sunset at such time as Wisconsin United for Health Foundation, Inc. no longer beneficially owns 20% or more of the issued and outstanding capital stock of the corporation. Except as specifically set forth above, for purposes of these Bylaws including the selection of nominees under Section 3.14(a)6.(iv), the term "independent public shareholder representative" means:

Any person who the Nominating Committee determines, in its discretion, is qualified to represent the interests of the public shareholders of the corporation, who has been approved by the "independent public shareholder representative" on the Nominating Committee, and who is not any of the following:

(i) A current or a former officer, director, or employee of Blue Cross & Blue Shield United of Wisconsin or any of its affiliates.

(ii) A current or former significant vendor of Blue Cross & Blue Shield United of Wisconsin or any of its affiliates, as determined in the discretion of the Nominating Committee.

(iii) A current or former officer, director, or employee of a significant vendor of Blue Cross & Blue Shield United of Wisconsin or any of its affiliates, unless, as determined in the discretion of the Nominating Committee, the status does not present a material conflict of interest.

(iv) Currently and materially affiliated with an officer, director or employee of Blue Cross & Blue Shield United of Wisconsin, any of its affiliates, or any significant vendor for any one of them, as determined in the discretion of the Nominating Committee.

(v) Formerly and materially affiliated with an officer, director or employee of Blue Cross & Blue Shield United of Wisconsin, any of its affiliates, or any significant vendor for any one of them, unless, as determined in the discretion of the Nominating Committee, the former status does not present a material conflict of interest.

For the purpose of this paragraph 3.14(a)1., "affiliate" means: an affiliate as defined in s. 600.03 (1), Wis. Stats.

No member of the Management Review Committee, the Audit Committee or the Nominating Committee may be an employee of the Corporation. The Chairman of the Board, and in the Chairman's absence the President, and in their absence, such Vice President as is designated by the Board of Directors, shall submit nominations

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for such regular committee memberships. Regular committee members shall hold office until the next Board of Directors meeting at which the regular committee elections are conducted in accordance with these Bylaws, and until their successors are elected and qualified. Each regular committee of the Board of Directors may exercise the authority of the full Board of Directors when the Board of Directors is not in session and solely with regard to and within the scope of the duties and powers delegated to it in these Bylaws, except that no committee of the Board shall do any of the following:

(i) Authorize distributions;

(ii) Approve or propose to shareholders action that the Wisconsin Business Corporation Law requires be approved by shareholders;

(iii) Fill vacancies on the Board of Directors or, except as provided herein, on any of its committees;

(iv) Amend the Articles of Incorporation;

(v) Adopt, amend or repeal these Bylaws;

(vi) Approve a plan of merger not requiring shareholder approval;

(vii) Authorize or approve reacquisition of shares, except according to a formula or method prescribed by the Board of Directors; or

(viii) Authorize or approve the issuance or sale or contract for sale of shares or determine the designation and relative rights, preferences and limitations of a class or series of shares, except that the Board of Directors may authorize a committee or a senior executive officer to do so within limits prescribed by the Board of Directors.

2. THE EXECUTIVE COMMITTEE. The Executive Committee shall:

(i) Approve long range corporate and strategic plans, including plans for any major borrowing or capital raising programs;

(ii) Advise and consult with management on corporate policies regarding reserving, reinsurance and other liabilities;

(iii) Approve the annual operating plan;

(iv) Approve major changes in policy affecting new services and programs; and

(v) Carry out such special assignments as the Board of Directors may, from time to time, give to the Executive Committee.

3. THE FINANCE COMMITTEE. The Finance Committee shall:

(i) Approve investment policies and plans;

(ii) Authorize and approve the investment of funds of the Corporation;

(iii) Consult with management regarding real estate, accounts receivable and other assets;

(iv) Determine the amount and types of all insurance that should be carried by the Corporation and authorize the purchase

thereof;

(v) Advise and consult with the management in the selection of the carriers of such insurance;

(vi) Advise and consult with management on corporate tax policy; and

(vii) Carry out such special assignments as the Board of Directors may, from time to time, give to the Finance Committee.

4. THE MANAGEMENT REVIEW COMMITTEE. The Management Review Committee shall:

(i) Evaluate senior management (corporate officers) performance against objectives;

(ii) Approve senior management development programs;

(iii) Approve the Corporation's compensation policy, including making recommendations and decisions on any bonuses or incentive plans, and establish the annual compensation for the Chairman of the Board;

(iv) Make recommendation to the Board for types, methods and levels of Directors' compensation;

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(v) Administer the compensation plans for the Officers, Directors and key employees; and

(vi) Carry out such special assignments as the Board of Directors may, from time to time, give to the Management Review Committee.

5. THE AUDIT COMMITTEE. The Audit Committee shall:

(i) Select and engage independent certified public accountants to audit the books, records and financial transactions of the Corporation;

(ii) Review with the independent accountants the scope of their examination, with particular emphasis on the areas to which either the Audit Committee or the independent accountants believe special attention should be directed. The Audit Committee may have the independent accountants perform such additional procedures as the Audit Committee or the auditors deem necessary;

(iii) Review and approve an annual plan for the financial audit (internal audit) department;

(iv) Review with the independent accountants the financial statements and auditors' reports thereon;

(v) Review the management letter of the independent accountants and audit reports by the Corporation's internal auditors to assure that appropriate action has been taken by senior management

as to each item recommended;

(vi) Encourage the independent accountants and the internal auditors to communicate directly with the Chairman of the Board and the President or, if necessary, the Chairman of the Audit Committee whenever any significant recommendation has not been satisfactorily resolved at the senior management level;

(vii) Review conflict of interest statements to assure the Board of Directors that any conflict of interest has been duly reported to and reviewed by the Audit Committee;

(viii) Review and approve all related party transactions; and

(ix) Carry out such special assignments as the Board of Directors may, from time to time, give to the Audit Committee.

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6. THE NOMINATING COMMITTEE. The Nominating Committee shall:

(i) Recommend to the Board prior to the annual shareholders' meeting each year's nominees for election to the Board, subject to the terms of subparagraph (iv) below;

ii) Recommend to the Board prior to the annual Board meeting nominees for election as corporate officers and Chairman of the Board (Chief Executive Officer);

(iii) Carry out such special assignments as the Board of Directors may, from time to time, give to the Nominating Committee; and

(iv) In the event that, in any particular election of directors, Non-Independent Candidates (as defined in Section 3.04(d) of these Bylaws) would be eligible for election to the Board of Directors pursuant to Section 4.A of Article III of the Articles of Incorporation, then the Nominating Committee shall recommend to the Board, prior to the annual shareholders' meeting for inclusion on the proxy for such election, nominees for such positions who are "independent public shareholder representatives" as defined under Section 3.14(a)1. The Board of Directors shall include on the proxy for such election for such a position only a nominee recommended by the Nominating Committee as meeting the definition of "independent public shareholder representative." The provisions of this subsection 6.(iv) shall sunset at such time as Wisconsin United for Health Foundation, Inc. no longer beneficially owns 20% or more of the issued and outstanding capital stock of the corporation.

(b) SPECIAL COMMITTEES. In addition to the regular committees, the Board of Directors may, from time to time, establish special committees and specify the composition, functions and authority of any special committee.

(c) VACANCIES; TEMPORARY ASSIGNMENTS. When, for any cause, a vacancy occurs in a regular committee, the remaining committee members, by majority vote, may fill such vacancy by a temporary appointment of a Director not on the subject committee to fill the vacancy until the next meeting of the

Board of Directors, at which time the Board of Directors may fill the vacancy.

(d) COMMITTEE MINUTES AND REPORTS. All of the foregoing committees shall keep minutes and records of all of their meetings and activities and shall report the same to the Board of Directors at its next regular meeting. Such minutes and records shall be available for inspection by the Board of Directors at all times.

3.15. TELEPHONIC MEETINGS. To the extent provided herein and notwithstanding any place set forth in the notice of the meeting or these Bylaws, members of the Board of Directors (and any committees thereof created pursuant to Section 3.14 hereof) may participate in regular or special meetings by, or through the use of, any means of communication by which all participants may simultaneously hear each other, such as by conference telephone. If a meeting is conducted by such means, then at the commencement of such meeting the presiding officer shall inform the participating directors that a meeting is taking place at which official business may be transacted. Any participant in a meeting by such means shall be deemed present in person at such meeting.

3.16. ACTION WITHOUT MEETING. Any action required or permitted by the Wisconsin Business Corporation Law to be taken at a meeting of the Board of Directors or a committee thereof created pursuant to Section 3.14 hereof may be taken without a meeting if the action is taken by all members of the Board or of the committee. The action shall be evidenced by one or more written consents describing the action taken, signed by each director or committee member and retained by the Corporation. Such action shall be effective when the last director or committee member signs the consent, unless the consent specifies a different effective date.

ARTICLE IV. OFFICERS

4.01. NUMBER. The principal officers of the Corporation shall be a Chairman of the Board (Chief Executive Officer), a President, one or more Vice Presidents, a Secretary, and a Treasurer. The Board of Directors shall elect the principal officers annually at the regular meeting. All officers shall hold office for a period of one year and until their successors are duly elected and qualified, or until their prior death, resignation or removal. Each officer has the authority and shall perform the duties set forth in these Bylaws or, to the extent not inconsistent with these Bylaws, the duties prescribed by the Board of Directors or by the direction of an officer authorized by the Bylaws or by the Board of Directors to prescribe the duties of other officers.

4.02. REMOVAL. Any officer or agent may be removed by the Board of Directors with or without cause whenever, in its judgment, the best interests of the Corporation would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Election or appointment shall not of itself create contract rights.

4.03. VACANCIES. A vacancy in any principal office because of death, resignation, removal, or otherwise, shall be filled by the Board of Directors for the unexpired portion of the term. The Board of Directors may, from time to

time, omit to elect one or more officers, or may omit to fill a vacancy, and in such case, the designated duties of such officer, unless otherwise provided in these Bylaws, shall be discharged by the Chairman of the Board or such other officer as he or she may designate.

4.04 CHAIRMAN OF THE BOARD. The Chairman of the Board, who shall also be the Chief Executive Officer, shall preside at all meetings of the shareholders and of the Board of Directors.

4.05. PRESIDENT. The President shall have general supervision of the business and affairs of the Corporation. The President may sign and execute all authorized bonds, notes, checks, contracts, deeds, mortgages, instruments of assignment or pledge or other obligations of the Corporation in the name of the Corporation.

4.06. THE VICE PRESIDENTS. Should the Chairman of the Board or the President be absent or unable to act, the Board of Directors shall designate one or more Vice Presidents or other officer(s) to discharge the duties of the vacant office with the same power and authority as is vested in that office. The Vice Presidents shall perform such other duties as from time to time may be assigned to them by the President or the Board of Directors.

4.07. THE SECRETARY. The Secretary shall keep a record of the minutes of the meetings of the shareholders and of the Board of Directors. He or she shall countersign all instruments and documents executed by the Corporation, affix to instruments and documents the seal of the Corporation when necessary or required, keep in books therefor the transactions of the Corporation, see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law and perform such other duties as usually are incident to such office or may be assigned by the Chairman of the Board, the President or the Board of Directors.

4.08. THE TREASURER. The Treasurer, subject to the control of the Board of Directors, shall collect, receive, and safely keep all monies, funds and securities of the Corporation and attend to all pecuniary affairs. He or she shall keep full and complete accounts and records of all its transactions, of sums owing to or by the Corporation and all rents and profits in its behalf.

4.09. ASSISTANTS AND ACTING OFFICERS. The Chairman of the Board, the President and the Board of Directors shall have the power to appoint any person to act as assistant to any officer, or as agent for the Corporation in the officer's stead, or to perform the duties of such officer whenever for any reason it is impracticable for the officer to act personally, and the assistant or acting officer or other agent so appointed by the Chairman of the Board, the President and the Board of Directors shall have the power to perform all the duties of the office to which he or she is so appointed to be an assistant, or as to which he or she is so appointed to act, except as such power otherwise may be defined or restricted by the Chairman of the Board, the President or the Board of Directors.

4.10. SALARIES. The salaries of the principal officers shall be fixed from time to time by the Board of Directors or by a duly authorized committee thereof and no officer shall be prevented from receiving such salary by reason of the fact that he or she is also a Director of the Corporation.

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ARTICLE V. FUNDS OF THE CORPORATION

5.01. FUNDS. All funds of the Corporation shall be deposited or invested as may be authorized from time to time by the Board of Directors or appropriate committee under authorization of the Board of Directors.

5.02. NAME. All investments and deposits of funds of the Corporation shall be made and held in its corporate name, except that securities kept under a custodial agreement or trust arrangement with a bank or banking and trust company may be issued in the name of a nominee of such bank or banking and trust company and except that securities may be acquired and held in bearer form.

5.03. LOANS. All loans contracted on behalf of the Corporation and all evidences of indebtedness that are issued in the name of the Corporation shall be under the authority of a resolution of the Board of Directors. Such authorization may be general or specific.

5.04. DISBURSEMENTS. All monies of the Corporation shall be disbursed by check, draft or written order only, and all checks and orders for the payment of money shall be signed by such Officer or Officers as may be designated by the Board of Directors. The Officers and employees of the Corporation handling funds and securities of the Corporation shall give surety bonds in such sums as the Board of Directors or appropriate committee may require.

5.05. PROHIBITED TRANSACTIONS. No Director or Officer of the Corporation shall borrow money from the Corporation or receive any compensation for selling, aiding in the sale, negotiating for the sale of any property belonging to the Corporation or for negotiating any loan for or by the Corporation.

5.06. VOTING OF SECURITIES OWNED BY THE CORPORATION. Subject always to the directions of the Board of Directors:

(a) Any shares or other securities issued by any other corporation and owned or controlled by the Corporation may be voted at any meeting of security holders of such other corporation by the Chairman of the Board, the President or, in their absence, any Vice President of the Corporation who may be present and designated by the Board of Directors; and

(b) Whenever, in the judgment of the Chairman of the Board, the President or, in their absence, a designated Vice President, it is desirable for the Corporation to execute a proxy or written consent in respect to any shares or other securities issued by any other corporation and owned by the Corporation, such proxy or consent shall be executed in the name of the Corporation by the Chairman of the Board, the President or a designated Vice President of

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the Corporation in the order as provided in Section 4.06 hereof, without necessity of any authorization by the Board of Directors, affixation of

corporate seal or countersignature or attestation by another Officer. Any person or persons designated in the manner above stated as the proxy or proxies of the Corporation shall have full right, power and authority to vote the shares or other securities issued by such other corporation and owned by the Corporation the same as such shares or other securities might be voted by the Corporation.

ARTICLE VI. CERTIFICATES FOR SHARES; TRANSFER OF SHARES

6.01. CERTIFICATES FOR SHARES. Certificates representing shares of the Corporation shall be in such form, consistent with law, as shall be determined by the Board of Directors. Such Certificates shall be signed by the Chairman of the Board, the President or a Vice President and the Secretary or by another Officer designated by the Chairman of the Board, the President or the Board of Directors. All Certificates shall be consecutively numbered or otherwise identified. The name and address of the person to whom the shares represented thereby are issued, with the number of shares and date of issue, shall be entered on the stock transfer books of the Corporation. All Certificates surrendered to the Corporation for transfer shall be canceled and no new Certificate shall be issued until the former Certificate for a like number of shares shall have been surrendered and canceled, except as provided in Section 6.06 hereof.

6.02. FACSIMILE SIGNATURES AND SEAL. The seal of the Corporation, if any, on any Certificates may be a facsimile. The signature of the Chairman of the Board, the President or other authorized Officer upon a Certificate may be a facsimile if the Certificate is manually signed on behalf of a transfer agent or a registrar, other than the Corporation itself or an employee of the Corporation.

6.03. SIGNATURE BY FORMER OFFICERS. If any Officer who has signed or whose facsimile signature has been placed upon any Certificate shall have ceased to be an Officer before such Certificate is issued, it may be issued by the Corporation with the same effect as if he or she were an Officer at the date of its issue.

6.04. TRANSFER OF SHARES. Prior to due presentment of a certificate for shares for registration of transfer the Corporation may treat the registered owner of such shares as the person exclusively entitled to vote, to receive notifications and otherwise to have and exercise all the rights and power of an owner. Where a certificate for shares is presented to the Corporation with a request to register for transfer, the Corporation shall not be liable to the owner or any other person suffering loss as a result of such registration of transfer if (a) there were on or with the certificate the necessary endorsements, and (b) the Corporation had no duty to inquire into adverse claims or has discharged any such duty. The Corporation may require reasonable assurance that such endorsements are genuine and effective and compliance with such other regulations as may be prescribed by or under the authority of the Board of Directors.

6.05. RESTRICTIONS ON TRANSFER. The face or reverse side of each certificate representing shares shall bear a conspicuous notation of any restriction imposed by the Corporation upon the transfer of such shares.

6.06. LOST, DESTROYED OR STOLEN CERTIFICATES. Where the owner claims that certificates for shares have been lost, destroyed or wrongfully taken, a new certificate shall be issued in place thereof if the owner (a) so requests before the Corporation has notice that such shares have been acquired by a bona fide purchaser, (b) files with the Corporation a sufficient indemnity bond if required by the Board of Directors or any principal officer, and (c) satisfies such other reasonable requirements as may be prescribed by or under the authority of the Board of Directors.

6.07. CONSIDERATION FOR SHARES. The shares of the Corporation may be issued for such consideration as shall be fixed from time to time by the Board of Directors, provided that any shares having a par value shall not be issued for a consideration less than the par value thereof. The consideration to be received for shares may consist of any tangible or intangible property or benefit to the Corporation, including cash, promissory notes, services performed, contracts for services to be performed, or other securities of the Corporation. When the Corporation receives the consideration for which the Board of Directors authorized the issuance of shares, the shares issued for that consideration are fully paid and nonassessable, except as provided by Section 180.0622(2)(b) of the Wisconsin Business Corporation Law, or any successor statute, which may require further assessment for unpaid wages to employees under certain circumstances. The Corporation may place in escrow shares issued for a contract for future services or benefits or a promissory note, or make other arrangements to restrict the transfer of the shares, and may credit distributions in respect of the shares against their purchase price, until the services are performed, the benefits are received or the note is paid. If the services are not performed, the benefits are not received or the note is not paid, the Corporation may cancel, in whole or in part, the shares escrowed or restricted and the distributions credited.

6.08. UNCERTIFICATED SHARES. In accordance with Section 180.0626 of the Wisconsin Business Corporation Law, or any successor statute, the Board of Directors may issue any shares of any of its classes or series without Certificates. The authorization does not affect shares already represented by Certificates unless the Certificates are surrendered to the Corporation. Within a reasonable time after the issuance or transfer of shares without Certificates, the Corporation shall send the Shareholder a written statement of the information required on share certificates by Sections 180.0625 and 180.0627, or any successor statutes, if applicable, of the Wisconsin Business Corporation Law, and by these Bylaws. The Corporation shall maintain at its offices or at the office of its transfer agent, an original or duplicate stock transfer book containing the names and addresses of all shareholders and the number of shares held by each shareholder. If the shares are uncertificated, the Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares for all purposes and shall not be bound to recognize any equitable or other claim to or interest in such shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of the State of Wisconsin.

6.09. STOCK REGULATIONS. The Board of Directors shall have the power and authority to make all such further rules and regulations not inconsistent with law as it may deem expedient concerning the issue, transfer and registration of shares of the Corporation.

ARTICLE VII. FISCAL YEAR

7.01. FISCAL YEAR. The fiscal year of the Corporation shall be set by the Board of Directors.

ARTICLE VIII. SEAL

8.01. The Board of Directors may provide a corporate seal which may be circular in form and may have inscribed thereon the name of the Corporation and the state of incorporation and the words "Corporate Seal."

ARTICLE IX. INDEMNIFICATION AND LIABILITY OF OFFICERS AND DIRECTORS

9.01. INDEMNIFICATION.

(a) Any person, or such person's estate or personal representative, made or threatened with being made a party to any action, suit, arbitration, or proceeding (civil, criminal, administrative, or investigative, whether formal or informal), which involves foreign, federal, state or local law, by reason of the fact that such person is or was a Director or Officer of the Corporation or of any corporation or other enterprise for which he or she served at the Corporation's request as a director, officer, partner, trustee, member of any decision-making committee, employee, or agent, shall be indemnified by the Corporation for all reasonable expenses incurred in the proceeding to the extent he or she has been successful on the merits or otherwise.

(b) In cases where a person described in Paragraph (a) of this Section is not successful on the merits or otherwise, the Corporation shall indemnify such person against liability and reasonable expenses incurred by him or her in any such proceeding, unless liability was incurred because the person breached or failed to perform a duty he or she owed to the Corporation and the breach or failure to perform constituted any of the following:

(1) A willful failure to deal fairly with the Corporation or its shareholders in connection with a matter in which the Director or Officer had a material conflict of interest;

(2) A violation of criminal law, unless the Director or Officer had reasonable cause to believe his or her conduct was lawful or no reasonable cause to believe his or her conduct was unlawful;

(3) A transaction from which the Director or Officer derived an improper personal profit; or

(4) Willful misconduct.

(c) The determination whether indemnification shall be required under Paragraph (b) of this Section shall be made according to one of the following methods selected by the Director or Officer:

(1) By a majority vote of a quorum of the Board of Directors consisting of Directors who are not at the time parties to the same or related proceedings. If a quorum of such disinterested Directors cannot be obtained, by majority vote of a committee duly appointed by the Board of Directors and consisting solely of two or more Directors who are not at the time parties to the same or related proceedings. Directors who are parties to the same or related proceedings may participate in the designation of members of the committee;

(2) By independent legal counsel selected by a quorum of the Board of Directors or its committee in the manner prescribed in paragraph (1) of this Section or, if unable to obtain such a quorum or committee, by a majority vote of the Board of Directors, including Directors who are parties to the same or related proceedings; or

(3) By the court conducting the proceedings or another court of competent jurisdiction, either on application by the Director or Officer for an initial determination or on application for review of an adverse determination under Clause (1) or (2) of this paragraph (c).

(d) The termination of a proceeding by judgment, order, settlement or conviction, or upon a plea of no contest or an equivalent plea, does not, by itself, create a presumption that indemnification of the Director or Officer is not required.

(e) A Director or Officer who seeks indemnification under this Section shall make a written request to the Corporation.

(f) Upon written request by a Director or Officer who is a party to a proceeding described in Paragraph (a) of this Section, the Corporation may pay or reimburse his or her reasonable expenses as incurred if the Director or Officer provides the Corporation with all of the following:

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(1) A written affirmation of his or her good faith belief that he or she has not breached or failed to perform his or her duties to the Corporation; and

(2) A written undertaking, executed personally or on his or her behalf, to repay the allowance and reasonable interest thereon, to the extent that it is ultimately determined under Clause (1) or (2) of Paragraph (c) of this Section, that indemnification is not required or to the extent that indemnification is not ordered by a court under Clause (3) of Paragraph (c) of this Section. The undertaking under this Clause (2) shall be an unlimited general obligation of the Director or Officer, may be accepted without reference to his or her ability to repay the allowance and may be secured or unsecured.

(g) Paragraphs (a) through (f) of this Section shall also apply where a person or such person's estate or personal representative is made or threatened with being made a party to any proceeding described in Paragraph (a) of this Section by reason of the fact that such person is or was an employee of the Corporation, except that in addition to the categories of conduct set forth in Paragraph (b) of this Section in relation to which the

Corporation has no duty to indemnify, the Corporation also shall have no duty to indemnify the employee against liability and reasonable expenses incurred by him or her in any such proceeding if liability was incurred because the person breached or failed to perform a duty he or she owed to the Corporation and the breach or failure to perform constituted material negligence or material misconduct in performance of the employee's duties to the Corporation.

(h) Unless a Director or Officer of the Corporation has knowledge that makes reliance unwarranted, a Director or Officer, in discharging his or her duties to the Corporation, may rely on information, opinions, reports or statements, any of which may be written or oral, formal or informal, including financial statements and other financial data, if prepared or presented by any of the following:

(1) An Officer or employee of the Corporation whom the Director or Officer believes in good faith to be reliable and competent in the matters presented;

(2) Legal counsel, public accountants or other persons as to matters the Director or Officer believes in good faith are within the person's professional or expert competence; or

(3) In the case of reliance by a Director, a committee of the Board of Directors of which the Director is not a member if the Director believes in good faith that the committee merits confidence.

This Paragraph (h) does not apply to the liability of a Director for improper declaration of dividends, distribution of assets, corporate purchase of its own shares, distribution of assets to Shareholders during liquidation, corporate loans made to an Officer or Director under Wisconsin Business Corporation Law Section 180.0832(1) or the reliance of a Director on

financial information represented as correct by Officers or independent or certified public accountants under Wisconsin Business Corporation Law Section 180.0826.

(i) In discharging his or her duties to the Corporation and in determining what he or she believes to be in the best interest of the Corporation, a Director or Officer may, in addition to considering the effects of any action on Shareholders, consider the following:

(1) The effects of the action on employees, suppliers and customers of the Corporation;

(2) The effects of the action on communities in which the Corporation operates; or

(3) Any other factor the Director or Officer considers pertinent.

9.02. LIMITED LIABILITY OF DIRECTORS AND OFFICERS TO THE CORPORATION AND SHAREHOLDERS.

(a) Except as provided in Paragraph (b) of this Section, a Director or Officer is not liable to the Corporation, its shareholders or any person

asserting rights on behalf of the Corporation or shareholders, for damages, settlements, fees, fines, penalties or other monetary liabilities arising from a breach of, or failure to perform, any duty resulting solely from his or her status as a Director, unless the person asserting liability proves that the breach or failure to perform constitutes any of the following:

(1) A willful failure to deal fairly with the Corporation or Shareholders in connection with a matter in which the Director or Officer had a material conflict of interest;

(2) A violation of criminal law, unless the Director or Officer had reasonable cause to believe his or her conduct was lawful or no reasonable cause to believe his or her conduct was unlawful;

(3) A transaction from which the Director or Officer derived an improper personal profit; or

(4) Willful misconduct.

(b) This Section does not apply to the liability of a Director or Officer for improper declaration of dividends, distribution of assets, corporate purchase of its own shares, or distribution of assets to shareholders during liquidation, or for corporate loans made to an Officer or Director under Wisconsin Business Corporation Law Section 180.0832(1).

ARTICLE X. AMENDMENTS

10.01. AMENDMENTS OF BYLAWS.

(a) The Board of Directors shall have the power to amend these Bylaws by the vote of a majority of the directors present at a meeting at which a quorum is then present except that any amendment to Sections 2.02, 2.08(b), 2.12, 2.14, 3.02, 3.04, 10.01, 10.02 or Article IX of these Bylaws shall require the approval of an Independent Board Majority.

(b) The holders of the Corporation's capital stock shall not have the power to amend or replace these Bylaws in whole or in part unless such amendment or replacement shall be approved by the holders of at least seventy-five percent (75%) of the issued and outstanding shares of Common Stock of the Corporation.

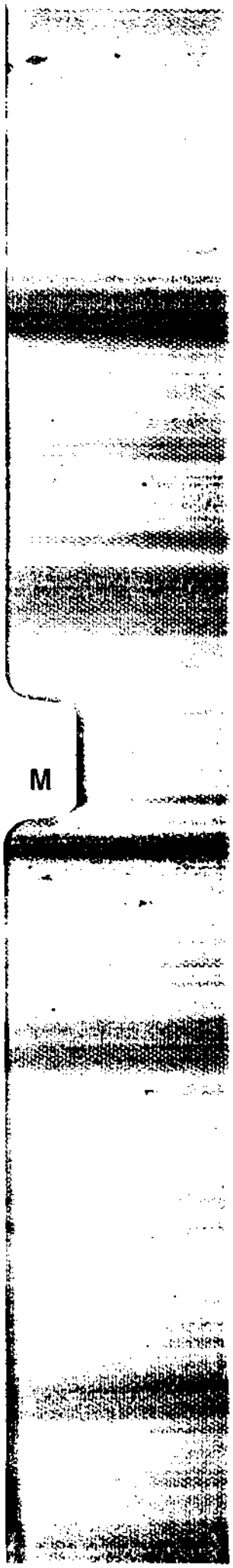
(c) Notwithstanding anything contained in this Article X to the contrary, for so long as the Foundation Beneficially Owns twenty percent (20%) or more of the issued and outstanding shares of Capital Stock as contemplated under the provisions of the Articles of Incorporation, any amendment to these Bylaws shall be subject to the prior review and approval of the Office of the Commissioner of Insurance before such amendment shall be given full force and effect.

10.02. INCONSISTENT PROVISIONS. The Board of Directors shall have the authority to interpret these Bylaws and to resolve any question or issue which may arise under these Bylaws. Whenever possible, each provision of these Bylaws shall be interpreted in such manner as to be valid and enforceable under applicable law and the provision of the Articles of Incorporation, but if any provision of these Bylaws shall be held to be prohibited by or unenforceable

under or to be in irreconcilable conflict with applicable law or the Articles of Incorporation, (i) such provision shall be applied to accomplish the objectives of the provision as originally written to the fullest extent permitted by law, and (ii) all other provisions of these Bylaws shall remain in full force and effect.

ARTICLE XI. DEFINITIONS

11.01. DEFINITIONS. Those capitalized terms which remain undefined herein shall be accorded the definition for such terms in the Articles of Incorporation.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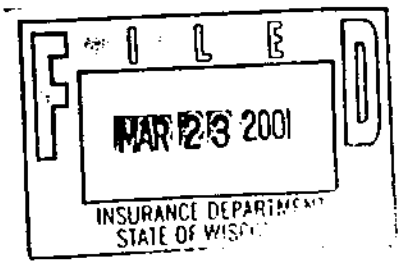

AMENDED AND RESTATED

ARTICLES OF INCORPORATION

OF

BLUE CROSS & BLUE SHIELD UNITED OF WISCONSIN
(a Wisconsin Insurance Corporation)

The undersigned, Blue Cross & Blue Shield United of Wisconsin (the "Corporation"), a service insurance corporation organized under Chapter 613 of the Wisconsin Statutes, acting pursuant to Wis. Stat. § 613.75 to convert into a stock insurance corporation under Chapter 611 of the Wisconsin Statutes, hereby adopts the following Amended and Restated Articles of Incorporation for the Corporation which supersede and take the place of the existing Articles of Incorporation of the Corporation and any amendments thereto:

ARTICLE 1: The name of the Corporation is Blue Cross & Blue Shield United of Wisconsin.

ARTICLE 2: The purpose for which this Corporation is organized is to engage in any lawful activity within the purposes for which insurance corporations may be organized under the provisions of Chapter 611 of the Wisconsin Statutes.

ARTICLE 3: The aggregate number of shares which the Corporation shall have authority to issue is Ten Million (10,000,000) shares, consisting of one class only, designated as "Common Stock," of the par value of $1.00 per share.

ARTICLE 4: The number of directors constituting the Board of Directors of the Corporation shall be fixed by or in the manner provided by the Bylaws. The general powers, number and requirements for nomination of directors shall be as set forth in Articles II and III of the Bylaws of the Corporation (and as such sections shall exist or be amended from time to time).

ARTICLE 5: The address of the registered office of the Corporation is 401 West Michigan Street, Milwaukee, WI 53202 and the name of its registered agent at such address is Thomas R. Hefty.

ARTICLE 6: The Bylaws of the Corporation may provide for a greater or lower quorum requirement or a greater voting requirement for shareholders or voting groups of shareholders than is provided by the Wisconsin Insurance Code.

ARTICLE 7: Any action required or permitted to be taken at a meeting of the Corporation's shareholders may be taken without a meeting by shareholders who would be entitled to vote at a meeting those shares with voting power to cast not less than the minimum number or, in the case of voting by voting groups, numbers of votes that would be necessary to

authorize or take the action at a meeting at which all shares entitled to vote were present and voted. Any action so taken must be evidenced by one or more written consents describing the action taken, signed by the number of shareholders necessary to take the action and delivered to the Corporation for inclusion in the corporate records. Within ten days after such action is effective, the Corporation shall give notice of such action to the shareholders of the Corporation who, as of the date that the first shareholder signed such written consent, were entitled to vote on such action and whose shares were not represented on the written consent.

ARTICLE 8: The Corporation reserves the right to supplement, amend or repeal any provision contained in these Amended and Restated Articles of Incorporation, in the manner now or hereafter prescribed by the laws of the State of Wisconsin, and all rights conferred on shareholders herein are granted subject to this reservation.

CERTIFICATE

I, Thomas R. Hefty, do hereby certify that the foregoing Amended and Restated Articles of Incorporation contain amendments to the existing Articles of Incorporation of the Corporation which were adopted and approved by the Board of Directors and the members of the Corporation as part of the overall approval of the plan of conversion of the Corporation under Chapter 613 of the Wisconsin Statutes.

Executed on behalf of the Corporation this 23rd day of March, 2001.

BLUE CROSS & BLUE SHIELD UNITED OF WISCONSIN

By: _____
Name: Thomas R. Hefty
Title: President

Attest: _____
Name: Gail L. Hanson
Title: Sr. Vice President, Chief Financial Officer, Treasurer

This instrument was drafted by,Joseph C. Branch of Foley & Lardner.

Please return to:

Joseph C. Branch
Foley & Lardner
777 East Wisconsin Avenue
Suite 3400
Milwaukee, Wisconsin 53202-5367

State of Wisconsin
Office of the Commissioner of Insurance
P O Box 7873
Madison, Wisconsin 53703-7873

Certification of the Authenticity of Copy of Document on File

The Commissioner of Insurance of the State of Wisconsin certifies that the attached copy of

AMENDED AND RESTATED ARTICLES OF INCORPORATION

For BLUE CROSS & BLUE SHIELD UNITED OF WISCONSIN

is a true and correct copy of the original now on file with the Office of the Commissioner of Insurance.

Dated at Madison, Wisconsin, this 23rd day of March, 2001.

Connie O'Connell
Commissioner of Insurance

FOLEY & LARDNER COPY

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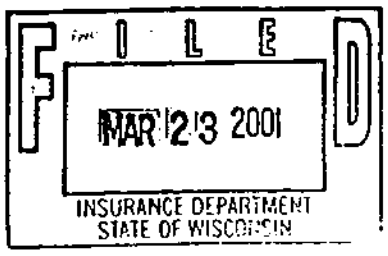
trose@foleylaw.com

CLIENT/MATTER NUMBER
016125-0107

March 23, 2001



VIA HAND DELIVERY

Steven J. Junior
State of Wisconsin
Office of the Commissioner of Insurance
121 East Wilson Street
Madison, WI 53707-7873

Re: Blue Cross Conversion

Dear Mr. Junior:

In compliance with the Commissioner's approval letter dated March 19, 2001, I have enclosed the original and a duplicate copy of the Amended and Restated Articles of Incorporation of Blue Cross & Blue Shield United of Wisconsin ("BCBSUW") for filing with the OCI. I have also included a copy of the BCBSUW Bylaws, which were previously included in the original conversion application. Given BCBSUW's compliance with the Commissioner's approval process set forth in her March 19th letter, I respectfully request that OCI issue forthwith the certificate of authority constituting the act of conversion of BCBSUW. OCI's actions in this regard will allow us to proceed with the contemporaneous closing of the transactions contemplated under the BCBSUW plan of conversion, as modified by the Commissioner's Order of March 28, 2000.

In addition, I appreciate OCI providing me with a certified copy of the Amended and Restated Articles of Incorporation of BCBSUW and a certificate of compliance for BCBSUW at the same time the certificate of authority is formally issued. Thank you for your assistance in this matter.

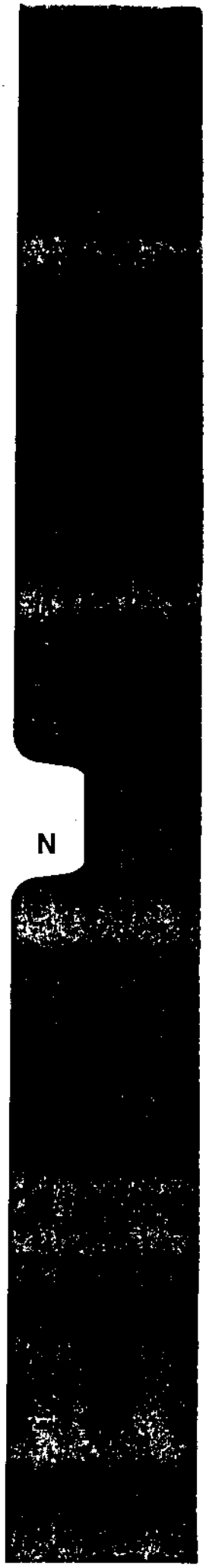
Sincerely,

Tom Rose

Thomas Rose

Enclosure(s)

cc: Stephen E. Bablitch
Joseph C. Branch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AMENDED AND RESTATED

BYLAWS

of

BLUE CROSS & BLUE SHIELD UNITED OF WISCONSIN

MARCH 23, 2001

ARTICLE I. OFFICES; AGENT; RECORDS

1.01. *Principal and Business Offices*. The corporation may have such principal and other business offices, either within or without the State of Wisconsin, as the Board of Directors may designate or as the business of the corporation may require from time to time.

1.02 *Registered Agent for Service of Process*. The registered agent of the corporation for service of process is Stephen Bablitch, Secretary, 401 W. Michigan Street, Milwaukee, Wisconsin 53202.

1.03. *Corporate Records*. The following documents and records shall be kept at the corporation's principal office or at such other reasonable location as may be specified by the corporation:

(a) Minutes of shareholder and Board of Directors meetings and any written notices thereof.

(b) Records of actions taken by the shareholders or directors without a meeting.

(c) Records of actions taken by committees of the Board of Directors.

(d) Accounting records.

(e) Records of its shareholders.

(f) Current Bylaws.

(g) Written waivers of notice by shareholders or directors (if any).

(h) Written consents by shareholders or directors for actions without a meeting (if any).

(i) Voting trust agreements (if any).

(j) Stock transfer agreements to which the corporation is a party or of which it has notice (if any).

ARTICLE II. SHAREHOLDERS

2.01. *Annual Meeting*. The annual meeting of the shareholders shall be held at such time as may be fixed by the Board of Directors on the last Wednesday in May each year, or at such other time and date as may be fixed by or under the authority of the Board of Directors, for the purpose of electing directors and for the transaction of such other business as may come before the meeting. If the day fixed for the annual meeting is a legal holiday in the State of Wisconsin, such meeting shall be held on the next succeeding business day. If the election of directors is not held on the day designated herein, or fixed as herein provided, for any annual meeting of the shareholders, or at any adjournment thereof, the Board of Directors

shall cause the election to be held at a meeting of the shareholders as soon thereafter as may be convenient.

2.02. *Special Meetings*. Special meetings of the shareholders, for any purpose or purposes, unless otherwise prescribed by statute, may be called by the Chair of the Board, if there is one, the President or the Board of Directors. If and as required by the Wisconsin Insurance Code, a special meeting shall be called upon written demand describing one or more purposes for which it is to be held by holders of shares with at least 10% of the votes entitled to be cast on any issue proposed to be considered at the meeting. The purpose or purposes of any special meeting shall be described in the notice required by Section 2.04 of these Bylaws.

2.03. *Place of Meeting*. The Board of Directors may designate any place, either within or without the State of Wisconsin, as the place of meeting for any annual meeting or any special meeting. If no designation is made, the place of meeting shall be the principal office of the corporation but any meeting may be adjourned to reconvene at any place designated by vote of a majority of the shares represented thereat.

2.04. *Notices to Shareholders*.

(a) *Required Notice*. Written notice stating the place, day and hour of the meeting and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than five (5) days nor more than sixty (60) days before the date of the meeting (unless a different time is provided by law or the Articles of Incorporation), by or at the direction of the Chair of the Board, if there is one, the President or the Secretary, to each shareholder entitled to vote at such meeting or, for the fundamental transactions described in subsections (e)(1) to (4) below (for which the Wisconsin Insurance Code requires that notice be given to shareholders not entitled to vote), to all shareholders. If mailed, such notice is effective when deposited in the United States mail, and shall be addressed to the shareholder's address shown in the current record of shareholders of the corporation, with postage thereon prepaid. At least twenty (20) days' notice shall be provided if the purpose, or one of the purposes, of the meeting is to consider a plan of merger or share exchange for which shareholder approval is required by law, or the sale, lease, exchange or other disposition of all or substantially all of the corporation's property, with or without good will, otherwise than in the usual and regular course of business.

(b) *Adjourned Meeting*. Except as provided in the next sentence, if any shareholder meeting is adjourned to a different date, time, or place, notice need not be given of the new date, time, and place, if the new date, time, and place is announced at the meeting before adjournment. If a new record date for the adjourned meeting is or must be fixed, then notice must be given pursuant to the requirements of paragraph (a) of this Section 2.04, to those persons who are shareholders as of the new record date.

(c) *Waiver of Notice*. A shareholder may waive notice in accordance with Article VI of these Bylaws.

(d) *Contents of Notice*. The notice of each special shareholder meeting shall include a description of the purpose or purposes for which the meeting is called. Except as

otherwise provided in subsection (e) of this Section 2.04, in the Articles of Incorporation, or in the Wisconsin Insurance Code, the notice of an annual shareholder meeting need not include a description of the purpose or purposes for which the meeting is called.

(e) *Fundamental Transactions*. If a purpose of any shareholder meeting is to consider either: (1) a proposed amendment to the Articles of Incorporation (including any restated articles); (2) a plan of merger or share exchange for which shareholder approval is required by law; (3) the sale, lease, exchange or other disposition of all or substantially all of the corporation's property, with or without good will, otherwise than in the usual and regular course of business; (4) the dissolution of the corporation; or (5) the removal of a director, the notice must so state and in cases (1), (2) and (3) above must be accompanied by, respectively, a copy or summary of the: (1) proposed articles of amendment or a copy of the restated articles that identifies any amendment or other change; (2) proposed plan of merger or share exchange; or (3) proposed transaction for disposition of all or substantially all of the corporation's property. If the proposed corporate action creates dissenters' rights, the notice must state that shareholders and beneficial shareholders are or may be entitled to assert dissenters' rights, and must be accompanied by a copy of Sections 180.1301 to 180.1331 of the Wisconsin Business Corporation Law.

(f) *Certain Stock Issuances*. If the corporation issues or authorizes the issuance of shares for promissory notes or for promises of future services, and if the Wisconsin Insurance Code requires that notice thereof be given to the shareholders, the corporation shall report in writing to the shareholders entitled to receive notice of the next shareholders' meeting, with or before the notice of that meeting, the number of shares authorized or issued and the consideration received by the corporation.

(g) *Indemnification; Advance of Expenses*. If the corporation indemnifies or advances expenses to a director or officer under Sections 180.0850 to 180.0859 of the Wisconsin Business Corporation Law and Section 611.62 of the Wisconsin Insurance Code in connection with a proceeding by or in the right of the corporation, and if the Wisconsin Insurance Code requires that notice thereof be given to the shareholders, this shall be reported to shareholders entitled to receive notice of the next shareholders' meeting, with or before the notice of that meeting.

2.05. *Fixing of Record Date*. The Board of Directors may fix in advance a date as the record date for one or more voting groups for any determination of shareholders entitled to notice of a shareholders' meeting, to demand a special meeting, to vote, or to take any other action, such date in any case to be not more than seventy (70) days prior to the meeting or action requiring such determination of shareholders, and may fix the record date for determining shareholders entitled to a share dividend or distribution. If no record date is fixed for the determination of shareholders entitled to demand a shareholder meeting, to notice of or to vote at a meeting of shareholders, or to consent to action without a meeting, (a) the close of business on the day before the corporation receives the first written demand for a shareholder meeting, (b) the close of business on the day before the first notice of the meeting is mailed or otherwise delivered to shareholders, or (c) the close of business on the day before the first written consent to shareholder action without a meeting is received by the corporation, as the

case may be, shall be the record date for the determination of shareholders. If no record date is fixed for the determination of shareholders entitled to receive a share dividend or distribution (other than a distribution involving a purchase, redemption or other acquisition of the corporation's shares), the close of business on the day on which the resolution of the Board of Directors is adopted declaring the dividend or distribution shall be the record date. When a determination of shareholders entitled to vote at any meeting of shareholders has been made as provided in this section, such determination shall be applied to any adjournment thereof unless the Board of Directors fixes a new record date and except as otherwise required by law. A new record date must be set if a meeting is adjourned to a date more than 120 days after the date fixed for the original meeting.

2.06. *Shareholder List.* The officer or agent having charge of the stock transfer books for shares of the corporation shall, before each meeting of shareholders, make a complete record of the shareholders entitled to notice of such meeting, arranged by class or series of shares and showing the address of and the number of shares held by each shareholder. The shareholder list shall be available at the meeting and may be inspected by any shareholder or his or her agent or attorney at any time during the meeting or any adjournment. Any shareholder or his or her agent or attorney may inspect the shareholder list beginning two (2) business days after the notice of the meeting is given and continuing to the date of the meeting, at the corporation's principal office or at a place identified in the meeting notice in the city where the meeting will be held and, subject to Sections 180.1602(2)(b) 3 to 5 of the Wisconsin Business Corporation Law and Section 611.51(9)(a) of the Wisconsin Insurance Code, may copy the list, during regular business hours and at his or her expense, during the period that it is available for inspection hereunder. The original stock transfer books and nominee certificates on file with the corporation (if any) shall be prima facie evidence as to who are the shareholders entitled to inspect the shareholder list or to vote at any meeting of shareholders. Failure to comply with the requirements of this section shall not affect the validity of any action taken at such meeting.

2.07. *Quorum and Voting Requirements.* Except as otherwise provided in the Articles of Incorporation or in the Wisconsin Insurance Code, a majority of the votes entitled to be cast by shares entitled to vote as a separate voting group on a matter, represented in person or by proxy, shall constitute a quorum of that voting group for action on that matter at a meeting of shareholders. If a quorum exists, action on a matter, other than the election of directors, by a voting group is approved if the votes cast within the voting group favoring the action exceed the votes cast opposing the action unless a greater number of affirmative votes is required by the Wisconsin Insurance Code or the Articles of Incorporation. If the Articles of Incorporation or the Wisconsin Insurance Code provide for voting by two (2) or more voting groups on a matter, action on that matter is taken only when voted upon by each of those voting groups counted separately. Action may be taken by one (1) voting group on a matter even though no action is taken by another voting group entitled to vote on the matter. Once a share is represented for any purpose at a meeting, other than for the purpose of objecting to holding the meeting or transacting business at the meeting, it is considered present for purposes of determining whether a quorum exists for the remainder of the meeting and for any adjournment of that meeting unless a new record date is or must be set for that meeting.

2.08. *Conduct of Meetings*. The Chair of the Board, or if there is none, or in his or her absence, the President, and in the President's absence, a Vice President in the order provided under Section 4.06 of these Bylaws, and in their absence, any person chosen by the shareholders present shall call the meeting of the shareholders to order and shall act as Chair of the meeting, and the Secretary shall act as secretary of all meetings of the shareholders, but, in the absence of the Secretary, the presiding officer may appoint any other person to act as secretary of the meeting.

2.09. *Proxies*. At all meetings of shareholders, a shareholder entitled to vote may vote in person or by proxy appointed in writing by the shareholder or by his or her duly authorized attorney-in-fact. All proxy appointment forms shall be filed with the Secretary or other officer or agent of the corporation authorized to tabulate votes before or at the time of the meeting. Unless the appointment form conspicuously states that it is irrevocable and the appointment is coupled with an interest, a proxy appointment may be revoked at any time. The presence of a shareholder who has filed a proxy appointment shall not of itself constitute a revocation. No proxy appointment shall be valid after eleven months from the date of its execution, unless otherwise expressly provided in the appointment form. The Board of Directors shall have the power and authority to make rules that are not inconsistent with the Wisconsin Insurance Code as to the validity and sufficiency of proxy appointments.

2.10. *Voting of Shares*. Each outstanding share shall be entitled to one (1) vote on each matter submitted to a vote at a meeting of shareholders, except to the extent that the voting rights of the shares are enlarged, limited or denied by the Articles of Incorporation or the Wisconsin Insurance Code. Shares owned directly or indirectly by another corporation are not entitled to vote if this corporation owns, directly or indirectly, sufficient shares to elect a majority of the directors of such other corporation. However, the prior sentence shall not limit the power of the corporation to vote any shares, including its own shares, held by it in a fiduciary capacity. Redeemable shares are not entitled to vote after notice of redemption is mailed to the holders and a sum sufficient to redeem the shares has been deposited with a bank, trust company, or other financial institution under an irrevocable obligation to pay the holders the redemption price on surrender of the shares.

ARTICLE III. BOARD OF DIRECTORS

3.01. *General Powers and Number*. All corporate powers shall be exercised by or under the authority of, and the business and affairs of the corporation shall be managed under the direction of, its Board of Directors. The number of directors of the corporation shall be six. The number of directors may be increased or decreased from time to time by amendment to this Section adopted by the shareholders or the Board of Directors, but no decrease shall have the effect of shortening the term of an incumbent director.

3.02. *Election, Removal, Tenure and Qualifications*.

(a) Unless action is taken without a meeting under Section 7.01 of these Bylaws, directors shall be elected by a plurality of the votes cast by the shares entitled to vote in the

election at a shareholders meeting at which a quorum is present; i.e., the individuals with the largest number of votes in favor of their election are elected as directors up to the maximum number of directors to be chosen in the election. In the event two (2) or more persons tie for the last vacancy to be filled, a run-off vote shall be taken from among the candidates receiving the tie vote. The name of any person selected as a director of the corporation, together with such pertinent biographical and other data as the Commissioner requires by rule, shall be reported to the Commissioner immediately after the selection. Each director shall hold office until the next annual meeting of shareholders for the remainder of the term for which he or she has been elected and until the director's successor shall have been elected or there is a decrease in the number of directors, or until his or her prior death, resignation or removal.

(b) Any director or directors may be removed from office by the shareholders if the number of votes cast to remove the director exceeds the number cast not to remove him or her, taken at a meeting of shareholders called for that purpose (unless action is taken without a meeting under Section 7.01 of these Bylaws), provided that the meeting notice states that the purpose, or one of the purposes, of the meeting is removal of the director. The removal may be made with or without cause unless the Articles of Incorporation or these Bylaws provide that directors may be removed only for cause. A director may be removed from office for cause by a majority of the full Board of Directors at any special meeting of the Board of Directors called for that purpose. Any such removal shall be reported to the Commissioner immediately with a statement of the reasons for removal. If a director is elected by a voting group of shareholders, only the shareholders of that voting group may participate in the vote to remove that director. A director may resign at any time by delivering a written resignation to the Board of Directors, to the Chair of the Board (if there is one), or to the corporation through the Secretary or otherwise.

(c) Directors need not be residents of the State of Wisconsin or shareholders of the corporation. No person may simultaneously be a director in the corporation and a director, officer, employee or agent for another insurer if the effect is to lessen competition substantially or if the corporation and the other insurer have materially adverse interests.

3.03. *Regular Meetings*. A regular meeting of the Board of Directors shall be held, without other notice than this Bylaw, immediately after the annual meeting of shareholders, and each adjourned session thereof. The place of such regular meeting shall be the same as the place of the meeting of shareholders which precedes it, or such other suitable place as may be announced at such meeting of shareholders. The Board of Directors and any committee may provide, by resolution, the time and place, either within or without the State of Wisconsin, for the holding of additional regular meetings without other notice than such resolution.

3.04. *Special Meetings*. Special meetings of the Board of Directors may be called by or at the request of the Chair of the Board, if there is one, the President or any two (2) directors. Special meetings of any committee may be called by or at the request of the foregoing persons or the Chair of the committee. The persons calling any special meeting of the Board of Directors or committee may fix any place, either within or without the State of Wisconsin, as the place for holding any special meeting called by them, and if no other place

is fixed the place of meeting shall be the principal office of the corporation in the State of Wisconsin.

3.05 *Meetings By Telephone or Other Communication Technology.*

(a) Any or all directors may participate in a regular or special meeting or in a committee meeting of the Board of Directors by, or conduct the meeting through the use of, telephone or any other means of communication by which either: (i) all participating directors may simultaneously hear each other during the meeting or (ii) all communication during the meeting is immediately transmitted to each participating director, and each participating director is able to immediately send messages to all other participating directors.

(b) If a meeting will be conducted through the use of any means described in paragraph (a), all participating directors shall be informed that a meeting is taking place at which official business may be transacted. A director participating in a meeting by any means described in paragraph (a) is deemed to be present in person at the meeting.

3.06. *Notice of Meetings.* Except as otherwise provided in the Articles of Incorporation or the Wisconsin Insurance Code, notice of the date, time and place of any special meeting of the Board of Directors and of any special meeting of a committee of the Board shall be given orally or in writing to each director or committee member at least 48 hours prior to the meeting, except that notice by mail shall be given at least 72 hours prior to the meeting. The notice need not describe the purpose of the meeting. Notice may be communicated in person, by telephone, telegraph or facsimile, or by mail or private carrier. Oral notice is effective when communicated. Written notice is effective as follows: If delivered in person, when received; if given by mail, when deposited, postage prepaid, in the United States mail addressed to the director at his or her business or home address (or such other address as the director may have designated in writing filed with the Secretary); if given by facsimile, at the time transmitted to a facsimile number at any address designated above; and if given by telegraph, when delivered to the telegraph company.

3.07. *Quorum.* Except as otherwise provided by the Wisconsin Insurance Code, a majority of the number of directors as provided in Section 3.01 shall constitute a quorum of the Board of Directors. Except as otherwise provided by the Wisconsin Insurance Code, a majority of the number of directors appointed to serve on a committee shall constitute a quorum of the committee.

3.08. *Manner of Acting.* Except as otherwise provided by the Wisconsin Insurance Code or the Articles of Incorporation, the affirmative vote of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors or any committee thereof.

3.09. *Conduct of Meetings.* The Chair of the Board, or if there is none, or in his or her absence, the President, and in the President's absence, a Vice President in the order provided under Section 4.06 of these Bylaws, and in their absence, any director chosen by the directors present, shall call meetings of the Board of Directors to order and shall chair the meeting. The Secretary of the corporation shall act as secretary of all meetings of the Board

of Directors, but in the absence of the Secretary, the presiding officer may appoint any assistant secretary or any director or other person present to act as secretary of the meeting.

3.10. *Vacancies*. Any vacancy occurring in the Board of Directors, including a vacancy created by an increase in the number of directors, may be filled by the shareholders or the Board of Directors. If the directors remaining in office constitute fewer than a quorum of the Board, the directors may fill a vacancy by the affirmative vote of a majority of all directors remaining in office. If the vacant office was held by a director elected by a voting group of shareholders, only the holders of shares of that voting group may vote to fill the vacancy if it is filled by the shareholders, and only the remaining directors elected by that voting group may vote to fill the vacancy if it is filled by the directors. A vacancy that will occur at a specific later date (because of a resignation effective at a later date or otherwise) may be filled before the vacancy occurs, but the new director may not take office until the vacancy occurs.

3.11. *Compensation*.

(a) The Board of Directors, irrespective of any personal interest of any of its members, may fix the compensation of directors. No arrangement for compensation or other employment benefits for any director, officer or employee with decision-making power may be made if it would: (i) measure the compensation or other benefits in whole or in part by any criteria that would create a financial inducement for him or her to act contrary to the best interests of the corporation; or (ii) have a tendency to make the corporation depend for continuance or soundness of operation upon continuation in his or her position of any director, officer or employee.

(b) Any benefits or payments to any director or officer on account of services rendered to the corporation more than 90 days before the agreement or decision to give the benefit or make the payment, and any new pension plan, profit-sharing plan, stock option plan or any amendment to an existing plan which so far as it pertains to any director or officer substantially increases the financial burden on the corporation, shall be approved by a vote of the shareholders.

(c) The amount of all direct and indirect remuneration for services, including retirement and other deferred compensation benefits and stock options, paid or accrued each year for the benefit of each director and each officer and employee whose remuneration exceeds an amount established by the Commissioner, and for all directors and officers as a group shall be included in the annual report made to the Commissioner.

3.12. *Presumption of Assent*. A director who is present and is announced as present at a meeting of the Board of Directors or a committee thereof at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless (i) the director objects at the beginning of the meeting or promptly upon his or her arrival to holding the meeting or transacting business at the meeting, or (ii) the director's dissent or abstention from the action taken is entered in the minutes of the meeting, or (iii) the director delivers his or her written dissent or abstention to the presiding officer of the meeting before the adjournment

thereof or to the corporation immediately after the adjournment of the meeting. Such right to dissent or abstain shall not apply to a director who voted in favor of such action.

3.13. *Committees.*

(a) Unless the Articles of Incorporation otherwise provide, the Board of Directors, by resolution adopted by the affirmative vote of a majority of all the directors then in office, may create one (1) or more [major or other] committees, each committee to consist of three or more directors as members serving at the pleasure of the Board of Directors, which to the extent provided in the resolution as initially adopted, and as thereafter supplemented or amended by further resolution adopted by a like vote, may exercise the authority of the Board of Directors when the Board of Directors is not in session. [A "major" committee shall consist of five (5) or more Directors.]

(b) No committee except a major committee shall be empowered to act in lieu of the entire Board of Directors in respect to: (i) compensation or indemnification of any person who is a director, principal officer or one of the three most highly paid employees, and any benefits or payments requiring shareholder or policyholder approval (ii) approval of any contract required by law to be approved by the Board of Directors, or of any other transaction in which a director has a material interest adverse to the corporation; (iii) amendment of the Articles of Incorporation or these Bylaws; (iv) merger or consolidation, stock exchanges, conversion, voluntary dissolution, or transfer of business or assets; (v) any other decision requiring shareholder or policyholder approval; (vi) amendment or repeal of any action previously taken by the full Board of Directors which by its terms is not subject to amendment or repeal by a committee; (vii) dividends or other distributions to shareholders or policyholders, other than in the routine implementation of policy determinations of the full Board of Directors; (viii) selection of principal officers; or (ix) filling of vacancies on the Board of Directors or any committee.

(c) The full Board of Directors or a major committee of the Board of Directors with authority to do so, at the next meeting following action by any ordinary committee, shall specifically review any transaction in which an officer has a material financial interest adverse to the corporation.

(d) The Board of Directors may elect one or more of its members as alternate members of any committee who may take the place of any absent member or members at any meeting of such committee. Each committee shall fix its own rules (consistent with the Wisconsin Insurance Code, the Articles of Incorporation and these Bylaws) governing the conduct of its activities and shall make such reports to the Board of Directors of its activities as the Board of Directors may request. Unless otherwise provided by the Board of Directors in creating a committee, a committee may employ counsel, accountants and other consultants to assist it in the exercise of authority.

(e) The creation of a committee, delegation of authority to a committee or action by a committee does not relieve the Board of Directors or any of its members of any responsibility imposed on the Board of Directors or its members by law.

(f) Sections 3.07, 3.08 and 3.12 of these Bylaws apply to committee meetings.

3.14 *Transactions in Which Directors are Interested.*

(a) Any material transaction between the corporation and one or more of its directors, or between the corporation any other person in which one or more of its directors has a material interest, is voidable by the corporation unless: (i) the transaction at the time it is entered into is reasonable and fair to the interests of the corporation; and (ii) the transaction has, with full knowledge of its terms and of the interests involved, been approved in advance by the Board of Directors or by the shareholders; and (iii) the transaction has been reported to the Commissioner immediately after such approval.

(b) Directors whose interest or status is at issue in makes the transaction subject to this section may be counted in determining a quorum for a board meeting approving the transaction, but may not vote. Approval requires an affirmative vote of a majority of those present.

(c) This section does not apply to transactions with affiliates or to policies of insurance, other than reinsurance, issued in the normal course of business.

ARTICLE IV. OFFICERS

4.01. *Appointment.* The principal officers shall be the President, the Vice President, and one or more other Vice Presidents (the number and designations to be determined by the Board of Directors) and a Secretary, each of whom shall be appointed by the Board of Directors. The Board of Directors may create and fill such other offices if any, as may be deemed necessary by the Board of Directors. Any two or more offices may be held by the same person, except that at least three separate persons shall be principal officers. No person may simultaneously be an officer of the corporation and a director, officer, employee or agent for another insurer if the effect is to lessen competition substantially or if the corporation and the other insurer have materially adverse interests. The name of any person selected as a principal officer of the Corporation, together with such pertinent biographical and other data as the Commissioner requires by rule, shall be reported to the Commissioner immediately after the selection.

4.02. *Resignation and Removal.* An officer shall hold office until he or she resigns, dies, is removed hereunder, or a different person is appointed to the office. An officer may resign at any time by delivering an appropriate written notice to the corporation. The resignation is effective when the notice is delivered, unless the notice specifies a later effective date and the corporation accepts the later effective date. Any officer may be removed by the Board of Directors with or without cause and notwithstanding the contract rights, if any, of the person removed. Except as provided in the preceding sentence, the resignation or removal is subject to any remedies provided by any contract between the officer and the corporation or otherwise provided by law. Appointment shall not of itself create contract rights. Any removal of a principal officer shall be reported to the Commissioner immediately together with a statement of the reasons for removal.

4.03. *Vacancies*. A vacancy in any office because of death, resignation, removal or otherwise, shall be filled by the Board of Directors. If a resignation is effective at a later date, the Board of Directors may fill the vacancy before the effective date if the Board of Directors provides that the successor may not take office until the effective date.

4.04. *Chair of the Board*. The Board of Directors may at its discretion appoint a Chair of the Board. The Chair of the Board, if there is one, shall preside at all meetings of the shareholders and Board of Directors, and shall carry out such other duties as directed by the Board of Directors.

4.05. *President*. The President shall be the principal executive officer and, subject to the control and direction of the Board of Directors, shall in general supervise and control all of the business and affairs of the corporation. He or she shall, in the absence of the Chair of the Board (if one is appointed), preside at all meetings of the shareholders and of the Board of Directors. The President shall have authority, subject to such rules as may be prescribed by the Board of Directors, to appoint such agents and employees of the corporation as he or she shall deem necessary, to prescribe their powers, duties and compensation, and to delegate authority to them. Such agents and employees shall hold office at the discretion of the President. The President shall have authority to sign, execute and acknowledge, on behalf of the corporation, all deeds, mortgages, bonds, stock certificates, contracts, leases, reports and all other documents or instruments necessary or proper to be executed in the course of the corporation's regular business, or which shall be authorized by resolution of the Board of Directors; and, except as otherwise provided by law or directed by the Board of Directors, the President may authorize any Vice President or other officer or agent of the corporation to sign, execute and acknowledge such documents or instruments in his or her place and stead. In general he or she shall perform all duties incident to the office of President and such other duties as may be prescribed by the Board of Directors from time to time.

4.06. *Vice Presidents*. In the absence of the President, or in the event of the President's death, inability or refusal to act, or in the event for any reason it shall be impracticable for the President to act personally, the Vice President, or in the event there be more than one Vice President, the Vice Presidents in the order designated by the Board of Directors, or in the absence of any designation, then in the order of their appointment shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. Any Vice President may sign, with the Secretary or Assistant Secretary, certificates for shares of the corporation; and shall perform such other duties and have such authority as from time to time may be delegated or assigned to him or her by the President or the Board of Directors. The execution of any instrument of the corporation by any Vice President shall be conclusive evidence, as to third parties, of the Vice President's authority to act in the stead of the President.

4.07. *Secretary*. If the Board of Directors appoints a Secretary, the Secretary shall: (a) keep (or cause to be kept) regular minutes of all meetings of the shareholders, the Board of Directors and any committees of the Board of Directors in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law; (c) be custodian of the corporate records and of the seal of the

corporation, if any, and see that the seal of the corporation, if any, is affixed to all documents which are authorized to be executed on behalf of the corporation under its seal; (d) keep or arrange for the keeping of a register of the post office address of each shareholder which shall be furnished to the Secretary by such shareholder; (e) sign with the President, or a Vice President, certificates for shares of the corporation, the issuance of which shall have been authorized by resolution of the Board of Directors; (f) have general charge of the stock transfer books of the corporation; and (g) in general perform all duties incident to the office of Secretary and have such other duties and exercise such authority as from time to time may be delegated or assigned to him or her by the President or by the Board of Directors.

4.08. *Treasurer*. If the Board of Directors appoints a Treasurer, the Treasurer shall: (a) have charge and custody of and be responsible for all funds and securities of the corporation; (b) receive and give receipts for moneys due and payable to the corporation from any source whatsoever, and deposit all such moneys in the name of the corporation in such banks, trust companies or other depositories as shall be selected by the corporation; and (c) in general perform all of the duties incident to the office of Treasurer and have such other duties and exercise such other authority as from time to time may be delegated or assigned to him or her by the President or by the Board of Directors.

4.09. *Assistants and Acting Officers*. The Board of Directors and the President shall have the power to appoint any person to act as assistant to any officer, or as agent for the corporation in the officer's stead, or to perform the duties of such officer whenever for any reason it is impracticable for such officer to act personally, and such assistant or acting officer or other agent so appointed by the Board of Directors or President shall have the power to perform all the duties of the office to which that person is so appointed to be assistant, or as to which he or she is so appointed to act, except as such power may be otherwise defined or restricted by the Board of Directors or the President.

4.10. *Salaries*. Subject to section 3.11, the salaries of the officers shall be fixed from time to time by the Board of Directors or by a duly authorized committee thereof, and no officer shall be prevented from receiving such salary by reason of the fact that such officer is also a director of the corporation.

4.11. *Transactions in Which Officers are Interested*. Section 3.14 applies to officers of the corporation in the same manner as it applies to directors.

ARTICLE V. CERTIFICATES FOR SHARES AND THEIR TRANSFER

5.01. *Certificates for Shares.* All shares of this corporation shall be represented by certificates. Certificates representing shares of the corporation shall be in such form, consistent with law, as shall be determined by the Board of Directors. At a minimum, a share certificate shall state on its face the name of the corporation and that it is organized under the laws of the State of Wisconsin, the name of the person to whom issued, and the number and class of shares and the designation of the series, if any, that the certificate represents. If the corporation is authorized to issue different classes of shares or different series within a class, the front or back of the certificate must contain either (a) a summary of the designations, relative rights, preferences and limitations applicable to each class, and the variations in the rights, preferences and limitations determined for each series and the authority of the Board of Directors to determine variations for future series, or (b) a conspicuous statement that the corporation will furnish the shareholder the information described in clause (a) on request, in writing and without charge. Such certificates shall be signed, either manually or in facsimile, by the President or a Vice President and by the Secretary or an Assistant Secretary. All certificates for shares shall be consecutively numbered or otherwise identified. The name and address of the person to whom the shares represented thereby are issued, with the number of shares and date of issue, shall be entered on the stock transfer books of the corporation. All certificates surrendered to the corporation for transfer shall be cancelled and no new certificate shall be issued until the former certificate for a like number of shares shall have been surrendered and cancelled, except as provided in Section 5.05. The corporation may not issue fractional shares.

5.02. *Signature by Former Officers.* If an officer or assistant officer, who has signed or whose facsimile signature has been placed upon any certificate for shares, has ceased to be such officer or assistant officer before such certificate is issued, the certificate may be issued by the corporation with the same effect as if that person were still an officer or assistant officer at the date of its issue.

5.03. *Transfer of Shares.* Prior to due presentment of a certificate for shares for registration of transfer, and unless the corporation has established a procedure by which a beneficial owner of shares held by a nominee is to be recognized by the corporation as the shareholder, the corporation may treat the registered owner of such shares as the person exclusively entitled to vote, to receive notifications and otherwise to have and exercise all the rights and power of an owner. The corporation may require reasonable assurance that all transfer endorsements are genuine and effective and in compliance with all regulations prescribed by or under the authority of the Board of Directors.

5.04. *Restrictions on Transfer.* The face or reverse side of each certificate representing shares shall bear a conspicuous notation of any restriction upon the transfer of such shares imposed by the corporation or imposed by any agreement of which the corporation has written notice.

5.05. *Lost, Destroyed or Stolen Certificates.* Where the owner claims that his or her certificate for shares has been lost, destroyed or wrongfully taken, a new certificate shall be

issued in place thereof if the owner (a) so requests before the corporation has notice that such shares have been acquired by a bona fide purchaser, and (b) if required by the corporation, files with the corporation a sufficient indemnity bond, and (c) satisfies such other reasonable requirements as may be prescribed by or under the authority of the Board of Directors. The corporation may not issue fractional shares.

5.06. *Consideration for Shares*. The shares of the corporation may be issued for such consideration as shall be fixed from time to time and determined to be adequate by the Board of Directors, provided that any shares having a par value shall not be issued for a consideration less than the par value thereof. The consideration may consist of any tangible or intangible property or benefit to the corporation, including cash, promissory notes, services performed, contracts for services to be performed, or other securities of the corporation. If the corporation issues or authorizes the issuance of shares for promissory notes or for promises of future services, it shall comply with Section 2.04(f) of these Bylaws. When the corporation receives the consideration for which the Board of Directors authorized the issuance of shares, such shares shall be deemed to be fully paid and nonassessable by the corporation.

5.07. *Stock Regulations*. The Board of Directors shall have the power and authority to make all such rules and regulations not inconsistent with the statutes of the State of Wisconsin as it may deem expedient concerning the issue, transfer and registration of certificates representing shares of the corporation, including the appointment or designation of one or more stock transfer agents and one or more registrars.

5.08. *Repurchase of Shares*. The corporation shall report to the Commissioner the names of shareholders from whom it purchases its own shares, the names of any other persons beneficially interested (so far as the latter are known), and the price it paid for the shares, within 10 days after the end of: (1) any month in which the corporation purchases more than 1% of its outstanding shares; (2) any 3-month period in which it purchases more than 2% of its outstanding shares; or (3) any 12-month period in which it purchases more than 5% of any class of its outstanding shares.

ARTICLE VI. WAIVER OF NOTICE

6.01. *Shareholder Written Waiver*. A shareholder may waive any notice required by the Wisconsin Insurance Code, the Articles of Incorporation or these Bylaws before or after the date and time stated in the notice. The waiver shall be in writing and signed by the shareholder entitled to the notice, shall contain the same information that would have been required in the notice under the Wisconsin Insurance Code except that the time and place of meeting need not be stated, and shall be delivered to the corporation for inclusion in the corporate records.

6.02. *Shareholder Waiver by Attendance*. A shareholder's attendance at a meeting, in person or by proxy, waives objection to both of the following:

(a) Lack of notice or defective notice of the meeting, unless the shareholder at the beginning of the meeting or promptly upon arrival objects to holding the meeting or transacting business at the meeting.

(b) Consideration of a particular matter at the meeting that is not within the purpose described in the meeting notice, unless the shareholder objects to considering the matter when it is presented.

6.03. *Director Written Waiver.* A director may waive any notice required by the Wisconsin Insurance Code, the Articles of Incorporation or the Bylaws before or after the date and time stated in the notice. The waiver shall be in writing, signed by the director entitled to the notice and retained by the corporation.

6.04. *Director Waiver by Attendance.* A director's attendance at or participation in a meeting of the Board of Directors or any committee thereof waives any required notice to him or her of the meeting unless the director at the beginning of the meeting or promptly upon his or her arrival objects to holding the meeting or transacting business at the meeting and does not thereafter vote for or assent to action taken at the meeting.

ARTICLE VII. ACTION WITHOUT MEETINGS

7.01. *Shareholder Action Without Meeting.* Action required or permitted by the Wisconsin Insurance Code to be taken at a shareholder meeting may be taken without a meeting (a) by all shareholders entitled to vote on the action, or (b) if the Articles of Incorporation so provide by shareholders who would be entitled to vote at a meeting shares with voting power sufficient to cast not less than the minimum number (or, in the case of voting by voting groups, the minimum numbers) of votes that would be necessary to authorize or take the action at a meeting at which all shares entitled to vote were present and voted. The action must be evidenced by one or more written consents describing the action taken, signed by the shareholders consenting thereto and delivered to the corporation for inclusion in its corporate records. A consent hereunder has the effect of a meeting vote and may be described as such in any document. The Wisconsin Insurance Code requires that notice of the action be given to certain shareholders and specifies the effective date thereof and the record date in respect thereto.

7.02. *Director Action Without Meeting.* Unless the Articles of Incorporation provide otherwise, action required or permitted by the Wisconsin Insurance Code to be taken at a Board of Directors meeting or committee meeting may be taken without a meeting if the action is taken by all members of the Board or committee. The action shall be evidenced by one or more written consents describing the action taken, signed by each director and retained by the corporation. Action taken hereunder is effective when the last director signs the consent, unless the consent specifies a different effective date. A consent signed hereunder has the effect of a unanimous vote taken at a meeting at which all directors or committee members were present, and may be described as such in any document.

ARTICLE VIII. INDEMNIFICATION

8.01. *Indemnification for Successful Defense.* Subject to Section 8.15, within twenty (20) days after receipt of a written request pursuant to Section 8.03, the corporation shall indemnify a director or officer, to the extent he or she has been successful on the merits or otherwise in the defense of a proceeding, for all reasonable expenses incurred in the proceeding if the director or officer was a party because he or she is a director or officer of the corporation.

8.02. Other Indemnification.

(a) In cases not included under Section 8.01, the corporation shall indemnify a director or officer against all liabilities and expenses incurred by the director or officer in a proceeding to which the director or officer was a party because he or she is a director or officer of the corporation, unless liability was incurred because the director or officer breached or failed to perform a duty he or she owes to the corporation and the breach or failure to perform constitutes any of the following:

(1) A willful failure to deal fairly with the corporation or its shareholders in connection with a matter in which the director or officer has a material conflict of interest.

(2) A violation of criminal law, unless the director or officer had reasonable cause to believe that his or her conduct was lawful or no reasonable cause to believe that his or her conduct was unlawful.

(3) A transaction from which the director or officer derived an improper personal profit.

(4) Willful misconduct.

(b) Determination of whether indemnification is required under this Section shall be made pursuant to Section 8.05.

(c) The termination of a proceeding by judgment, order, settlement or conviction, or upon a plea of no contest or an equivalent plea, does not, by itself, create a presumption that indemnification of the director or officer is not required under this Section.

8.03. *Written Request.* A director or officer who seeks indemnification under Sections 8.01 or 8.02 shall make a written request to the corporation.

8.04. *Nonduplication.* The corporation shall not indemnify a director or officer under Sections 8.01 or 8.02 if the director or officer has previously received indemnification or allowance of expenses from any person, including the corporation, in connection with the same proceeding. However, the director or officer has no duty to look to any other person for indemnification.

8.05. Determination of Right to Indemnification.

(a) Unless otherwise provided by the Articles of Incorporation or by written agreement between the director or officer and the corporation, the director or officer seeking indemnification under Section 8.02 shall select one of the following means for determining his or her right to indemnification:

(1) By a majority vote of a quorum of the Board of Directors consisting of directors not at the time parties to the same or related proceedings. If a quorum of disinterested directors cannot be obtained, by majority vote of a committee duly appointed by the Board of Directors and consisting solely of two (2) or more directors who are not at the time parties to the same or related proceedings, *provided, however,* that such committee may only act while the full Board of Directors is in session. Directors who are parties to the same or related proceedings may participate in the designation of members of the committee.

(2) By independent legal counsel selected by a quorum of the Board of Directors or its committee in the manner prescribed in sub. (1) or, if unable to obtain such a quorum or committee, by a majority vote of the full Board of Directors, including directors who are parties to the same or related proceedings.

(3) By a panel of three (3) arbitrators consisting of one arbitrator selected by those directors entitled under sub. (2) to select independent legal counsel, one arbitrator selected by the director or officer seeking indemnification and one arbitrator selected by the two (2) arbitrators previously selected.

(4) By an affirmative vote of shares represented at a meeting of shareholders at which a quorum of the voting group entitled to vote thereon is present. Shares owned by, or voted under the control of, persons who are at the time parties to the same or related proceedings, whether as plaintiffs or defendants or in any other capacity, may not be voted in making the determination.

(5) By a court under Section 8.08.

(6) By any other method provided for in any additional right to indemnification permitted under Section 8.07.

(b) In any determination under (a), the burden of proof is on the corporation to prove by clear and convincing evidence that indemnification under Section 8.02 should not be allowed.

(c) A written determination as to a director's or officer's indemnification under Section 8.02 shall be submitted to both the corporation and the director or officer within 60 days of the selection made under (a).

(d) Subject to Section 8.15, if it is determined that indemnification is required under Section 8.02, the corporation shall pay all liabilities and expenses not prohibited by Section 8.04 within ten (10) days after receipt of the written determination under (c). The

corporation shall also pay all expenses incurred by the director or officer in the determination process under (a).

8.06. *Advancement of Expenses*. Subject to Section 8.15, within ten (10) days after receipt of a written request by a director or officer who is a party to a proceeding, the corporation shall pay or reimburse his or her reasonable expenses as incurred if the director or officer provides the corporation with all of the following:

(1) A written affirmation of his or her good faith belief that he or she has not breached or failed to perform his or her duties to the corporation.

(2) A written undertaking, executed personally or on his or her behalf, to repay the allowance to the extent that it is ultimately determined under Section 8.05 that indemnification under Section 8.02 is not required and that indemnification is not ordered by a court under Section 8.08(b)(2). The undertaking under this subsection shall be an unlimited general obligation of the director or officer and may be accepted without reference to his or her ability to repay the allowance. The undertaking may be secured or unsecured.

8.07. Nonexclusivity.

(a) Except as provided in (b), Sections 8.01, 8.02 and 8.06 do not preclude any additional right to indemnification or allowance of expenses that a director or officer may have under any of the following:

(1) The Articles of Incorporation.

(2) A written agreement between the director or officer and the corporation.

(3) A resolution of the Board of Directors.

(4) A resolution, after notice, adopted by a majority vote of all of the corporation's voting shares then issued and outstanding.

(b) Regardless of the existence of an additional right under (a), the corporation shall not indemnify a director or officer, or permit a director or officer to retain any allowance of expenses unless it is determined by or on behalf of the corporation that the director or officer did not breach or fail to perform a duty he or she owes to the corporation which constitutes conduct under Section 8.02(a)(1), (2), (3) or (4). A director or officer who is a party to the same or related proceeding for which indemnification or an allowance of expenses is sought may not participate in a determination under this subsection.

(c) Sections 8.01 to 8.14 do not affect the corporation's power to pay or reimburse expenses incurred by a director or officer in any of the following circumstances.

(1) As a witness in a proceeding to which he or she is not a party.

(2) As a plaintiff or petitioner in a proceeding because he or she is or was an employee, agent, director or officer of the corporation.

8.08. Court-Ordered Indemnification.

(a) Except as provided otherwise by written agreement between the director or officer and the corporation, a director or officer who is a party to a proceeding may apply for indemnification to the court conducting the proceeding or to another court of competent jurisdiction. Application shall be made for an initial determination by the court under Section 8.05(a)(5) or for review by the court of an adverse determination under Section 8.05(a) (1), (2), (3), (4) or (6). After receipt of an application, the court shall give any notice it considers necessary.

(b) The court shall order indemnification if it determines any of the following:

(1) That the director or officer is entitled to indemnification under Sections 8.01 or 8.02.

(2) That the director or officer is fairly and reasonably entitled to indemnification in view of all the relevant circumstances, regardless of whether indemnification is required under Section 8.02.

(c) If the court determines under (b) that the director or officer is entitled to indemnification, the corporation shall pay the director's or officer's expenses incurred to obtain the court-ordered indemnification.

8.09. *Indemnification and Allowance of Expenses of Employees and Agents*. The corporation shall indemnify an employee of the corporation who is not a director or officer of the corporation, to the extent that he or she has been successful on the merits or otherwise in defense of a proceeding, for all expenses incurred in the proceeding if the employee was a party because he or she was an employee of the corporation. In addition, the corporation may indemnify and allow reasonable expenses of an employee or agent who is not a director or officer of the corporation to the extent provided by the Articles of Incorporation or these Bylaws, by general or specific action of the Board of Directors or by contract.

8.10. *Insurance*. The corporation may purchase and maintain insurance on behalf of an individual who is an employee, agent, director or officer of the corporation against liability asserted against or incurred by the individual in his or her capacity as an employee, agent, director or officer, regardless of whether the corporation is required or authorized to indemnify or allow expenses to the individual against the same liability under Sections 8.01, 8.02, 8.06, 8.07 and 8.09.

8.11. Securities Law Claims.

(a) Pursuant to the public policy of the State of Wisconsin, the corporation shall provide indemnification and allowance of expenses and may insure for any liability incurred in

connection with a proceeding involving securities regulation described under (b) to the extent required or permitted under Sections 8.01 to 8.10.

(b) Sections 8.01 to 8.10 apply, to the extent applicable to any other proceeding, to any proceeding involving a federal or state statute, rule or regulation regulating the offer, sale or purchase of securities, securities brokers or dealers, or investment companies or investment advisers.

8.12. *Liberal Construction*. In order for the corporation to obtain and retain qualified directors, officers and employees, the foregoing provisions shall be liberally administered in order to afford maximum indemnification of directors, officers and, where Section 8.09 of these Bylaws applies, employees. The indemnification above provided for shall be granted in all applicable cases unless to do so would clearly contravene law, controlling precedent or public policy.

8.13. *Report to Shareholders*. If the corporation indemnifies or advances expenses to a director or officer as required or permitted by these Bylaws or Wisconsin law in connection with a proceeding by or in the right of the corporation, the corporation shall comply with Section 2.04(g) of these Bylaws.

8.14. Definitions Applicable to this Article. For purposes of this Article:

(a) "Affiliate" shall include, without limitation, any corporation, partnership, joint venture, employee benefit plan, trust or other enterprise that directly or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, the corporation.

(b) "Corporation" means this corporation and any domestic or foreign predecessor of this corporation where the predecessor corporation's existence ceased upon the consummation of a merger or other transaction.

(c) "Director or officer" means any of the following:

(1) An individual who is or was a director or officer of this corporation.

(2) An individual who, while a director or officer of this corporation, is or was serving at the corporation's request as a director, officer, partner, trustee, member of any governing or decision-making committee, employee or agent of another corporation or foreign corporation, partnership, joint venture, trust or other enterprise.

(3) An individual who, while a director or officer of this corporation, is or was serving an employee benefit plan because his or her duties to the corporation also impose duties on, or otherwise involve services by, the person to the plan or to participants in or beneficiaries of the plan.

(4) Unless the context requires otherwise, the estate or personal representative of a director or officer.

For purposes of this Article, it shall be conclusively presumed that any director or officer serving as a director, officer, partner, trustee, member of any governing or decision-making committee, employee or agent of an affiliate shall be so serving at the request of the corporation.

(d) "Expenses" include fees, costs, charges, disbursements, attorney fees and other expenses incurred in connection with a proceeding.

(e) "Liability" includes the obligation to pay a judgment, settlement, penalty, assessment, forfeiture or fine, including an excise tax assessed with respect to an employee benefit plan, and reasonable expenses.

(f) "Party" includes an individual who was or is, or who is threatened to be made, a named defendant or respondent in a proceeding.

(g) "Proceeding" means any threatened, pending or completed civil, criminal, administrative or investigative action, suit, arbitration or other proceeding, whether formal or informal, which involves foreign, federal, state or local law and which is brought by or in the right of the corporation or by any other person.

8.15. *Notice.* The corporation shall not indemnify a director or officer under this Article until at least thirty (30) days after notice to the Commissioner with full details of the proposed indemnification, unless the Commissioner has sooner approved the proposal.

ARTICLE IX. SEAL

The Board of Directors may provide a corporate seal which may be circular in form and have inscribed thereon the name of the corporation and the state of incorporation and the words "Corporate Seal."

ARTICLE X. AMENDMENTS

10.01. *By Shareholders.* These Bylaws may be amended or repealed and new Bylaws may be adopted by the shareholders by the vote provided in Section 2.07 of these Bylaws or as specifically provided below. If authorized by the Articles of Incorporation, the shareholders may adopt or amend a Bylaw that fixes a greater or lower quorum requirement or a greater voting requirement for shareholders or voting groups of shareholders than otherwise is provided in the Wisconsin Insurance Code. The adoption or amendment of a Bylaw that adds, changes or deletes a greater or lower quorum requirement or a greater voting requirement for shareholders must meet the same quorum requirement and be adopted by the same vote and voting groups required to take action under the quorum and voting requirement then in effect.

10.02. *By Directors.* Except as the Articles of Incorporation may otherwise provide, these Bylaws may also be amended or repealed and new Bylaws may be adopted by the Board of Directors by the vote provided in Section 3.08, but (a) no Bylaw adopted by the shareholders shall be amended, repealed or readopted by the Board of Directors if the Bylaw so adopted so provides and (b) a Bylaw adopted or amended by the shareholders that fixes a

greater or lower quorum requirement or a greater voting requirement for the Board of Directors than otherwise is provided in the Wisconsin Insurance Code may not be amended or repealed by the Board of Directors unless the Bylaw expressly provides that it may be amended or repealed by a specified vote of the Board of Directors. Action by the Board of Directors to adopt or amend a Bylaw that changes the quorum or voting requirement for the Board of Directors must meet the same quorum requirement and be adopted by the same vote required to take action under the quorum and voting requirement then in effect, unless a different voting requirement is specified as provided by the preceding sentence. A Bylaw that fixes a greater or lower quorum requirement or a greater voting requirement for shareholders or voting groups of shareholders than otherwise is provided in the Wisconsin Insurance Code may not be adopted, amended or repealed by the Board of Directors.

10.03. *Implied Amendments*. Any action taken or authorized by the shareholders or by the Board of Directors, which would be inconsistent with the Bylaws then in effect but is taken or authorized by a vote that would be sufficient to amend the Bylaws so that the Bylaws would be consistent with such action, shall be given the same effect as though the Bylaws had been temporarily amended or suspended so far, but only so far, as is necessary to permit the specific action so taken or authorized.

10.04. *Filing*. A copy of these Bylaws and any amendments thereto shall be filed with the Commissioner within sixty (60) days after adoption.